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BEFORE THE
ILLINOIS COMMERCE COMMISSION

AMEREN ILLINOIS COMPANY) DOCKET NO.
d/b/a Ameren Illinois) 12-0001
Rate MAP-P Modernization Action)
Plan - Pricing Filing)

Thursday, June 21, 2012

Springfield, Illinois

Met, pursuant to notice, at 9:00 a.m.

BEFORE:

MR. JOHN ALBERS & MR. J. STEPHEN YODER,
Administrative Law Judges

APPEARANCES:

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CSR #084-001340 & #084-002710

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1		<u>I N D E X</u>			
2					
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PROCEEDINGS

JUDGE ALBERS: By the authority vested in me by the Illinois Commerce Commission, I now call Docket No. 12-0001. This docket was initiated by Ameren Illinois Company, d/b/a Ameren Illinois and concerns its petition for approval of its Rate MAP-P Modernization Action Plan - Pricing Filing.

May I have the appearances for the record, please?

MR. FITZHENRY: Edward Fitzhenry and Matt Tomc on behalf of Ameren Illinois Company.

MR. WHITT: Mark Whitt, Albert Sturtevant, Christopher Kennedy, and Rebecca Segal also on behalf of Ameren Illinois Company.

MS. LUCKEY: On behalf of staff of the Illinois Commerce Commission, Jim Olivero, Michael Lannon, and Nicole Luckey on behalf of the Citizens Utility Board.

MS. HICKS: Christie Hicks and Kristen Munsch, 309 West Washington, Suite 800, Chicago, Illinois 6060.

MS. YU: On behalf of the Office of the

1 Illinois Attorney General, Karen Lusson and Kathy Yu.

2 MR. COFFMAN: Appearing on behalf of AARP, John

3 B. Coffman, 871 Tuxedo Boulevard, St. Louis, Missouri

4 63119.

5 MR. ROBERTSON: Eric Robertson and Conrad

6 Reddick, Eric Robertson of Lueders, Robertson &

7 Konzen, P.O. Box 735, 1939 Delmar, Granite City,

8 Illinois 62040. Mr. Reddick is at 1015 Crest,

9 Wheaton, Illinois 60189.

10 JUDGE ALBERS: Thank you.

11 Any others wishing to enter an

12 appearance?

13 Let the record show no response.

14 Any preliminary matters before we get

15 to our first witness today?

16 Okay. Moving ahead then, we'll go

17 ahead and swear in all the witnesses testifying

18 today, so if they're in the room, please stand and

19 raise your right hand.

20 (Whereupon the witnesses were

21 sworn by Judge Albers.)

22 JUDGE ALBERS: Thank you.

1 I believe Ms. Hathhorn is our first
2 witness today.

3 MR. OLIVERO: That's correct, Your Honor.

4 Good morning, Ms. Hathhorn.

5 MS. HATHHORN: Good morning.

6 DIANA HATHHORN

7 called as a witness herein, on behalf of staff of the
8 Illinois Commerce Commission, having been first duly
9 sworn on her oath, was examined and testified as
10 follows:

11 DIRECT EXAMINATION

12 BY MR. OLIVERO:

13 Q. Would you please state your full name and
14 spell your last name for the record?

15 A. My name is Diana L. Hathhorn
16 (H-a-t-h-h-o-r-n).

17 Q. Ms. Hathhorn, by whom are you employed?

18 A. I'm an accountant in the Accounting
19 Department of the Financial Analysis Division of the
20 Illinois Commerce Commission.

21 Q. And, Ms. Hathhorn, have you prepared
22 written testimony for purposes of this proceeding?

1 A. Yes, I have.

2 Q. And do you have before you a document which
3 has been marked for identification as ICC Staff
4 Exhibit 1.0 entitled "Direct Testimony of Diana
5 Hathhorn" which consists of a cover page, table of
6 contents and 22 pages of narrative testimony,
7 Schedules 1.01 through 1.10 and Attachment A?

8 A. Yes, I do.

9 Q. And are these true and correct copies of
10 the direct testimony that you have prepared for this
11 proceeding?

12 A. Yes.

13 Q. And you also have before you a document
14 which has been marked for identification as ICC Staff
15 Exhibit 10.0 entitled "Rebuttal Testimony of Diana
16 Hathhorn" which consists of a cover page, table of
17 contents, 18 pages of narrative testimony,
18 Schedules 10.01 through 10.07 and Attachment A?

19 A. Yes, I do.

20 Q. And are these true and correct copies of
21 rebuttal testimony that you have prepared for this
22 proceeding?

1 A. Yes.

2 Q. And do you have any corrections to make to
3 your prepared direct or rebuttal testimony?

4 A. No, I do not.

5 Q. And is the information contained in ICC
6 Staff Exhibits 1.0 and 10.0 and the accompanying
7 schedules and attachments true and correct to the
8 best of your knowledge?

9 A. Yes.

10 Q. And if you were asked the same questions
11 today, would the answers contained in your prepared
12 testimony be the same?

13 A. Yes, they would.

14 MR. OLIVERO: Your Honor, at this time and
15 subject to cross-examination, I would ask for
16 admission into evidence Ms. Hathhorn's prepared
17 direct testimony marked as ICC Staff Exhibit 1.0
18 including schedules and attachments as well as
19 Ms. Hathhorn's prepared rebuttal testimony marked as
20 ICC Staff Exhibit 10.0 along with schedules and
21 attachments, and I would note for the record that
22 these documents were filed on the Commission's

1 e-Docket system April 12, 2012 and June 5, 2012
2 respectively.

3 JUDGE ALBERS: Okay. Thank you.

4 Is there any cross-examination at this
5 time?

6 MR. WHITT: Your Honor, if the company does
7 have cross. We would request actually to go last in
8 the order among parties who have reserved time.

9 JUDGE ALBERS: Okay. We have IIEC and AG has
10 also reserved time.

11 MS. YU: I can go first.

12 JUDGE ALBERS: Go ahead.

13 MS. YU: Good morning.

14 THE WITNESS: Good morning.

15 CROSS-EXAMINATION

16 BY MS. YU:

17 Q. If you'd refer to page 5 of your rebuttal
18 testimony at lines 105 to 107, you state that the
19 company's approach regarding unamortized ICC is
20 symmetrical consistent with its latest Commission
21 order.

22 In that are you referring to Docket

1 No. 11-0282?

2 A. Yes. However, since this testimony, I
3 received discovery from the company that confirmed
4 that in the last order, the deferred asset was not in
5 rate base, and so that would be a correction to the
6 symmetrical -- that would be a difference from the
7 symmetrical treatment.

8 MR. WHITT: Your Honor, I would object and move
9 to strike the response. The witness sponsored
10 testimony, was asked whether there were any
11 corrections. She said no. She was asked whether the
12 answers are true and correct and she said yes.

13 What I believe I just heard were
14 corrections inconsistent with testimony she gave
15 moments ago.

16 MR. OLIVERO: Well, Your Honor, I don't think
17 she said she made a correction. I think the last
18 point was she said it wasn't symmetrical which I
19 think is just describing how her approach was to
20 describing the Commission's position I guess on the
21 last order.

22 JUDGE ALBERS: Well, I'm more interested in

1 having the correct information in the order so I'll
2 overrule the objection.

3 MS. YU: Thank you.

4 Q. If you refer to the next page, page 6 of
5 your rebuttal testimony beginning at around line 110,
6 you discuss ADIT for the step-up basis metro, and in
7 this paragraph here you state that you accept the
8 company's explanation that an adjustment is
9 inappropriate because the net accumulated deferred
10 income taxes included in the rate base from this
11 asset purchase is zero, is that correct?

12 A. Yes, that's correct.

13 Q. And would you agree that prior to the
14 transfer of the assets from Union Electric to Ameren,
15 there was a balance of ADIT?

16 A. I believe there should have been, yes.

17 Q. Now, when Union Electric held the assets
18 then, given that there was a balance of ADIT, then
19 that rate base value of those assets would have been
20 the gross plant minus accumulated depreciation minus
21 the ADIT, is that correct?

22 A. Yes, that's correct.

1 Q. However, under the company's proposed
2 treatment including the Account 190 ADIT asset in
3 rate base, the net rate base value of the assets does
4 not include any reduction to rate base for the ADIT
5 that existed at the time of the transfer, is that
6 correct?

7 A. That's not my understanding. I thought
8 that the other side I'm sure was in the company's
9 Account 282 which the company clarified in its data
10 request response DLH 16.04.

11 Q. And can you refer to staff date request DLH
12 12.01, and it was two pages. I'm looking at
13 attachment 1, and I have copies. I'll mark it as AG
14 Cross Exhibit 1.

15 A. Which response are we talking about?

16 Q. 12.01.

17 A. I mean, is it an Ameren? I don't
18 understand. Whose 12.01?

19 And it doesn't matter because I don't
20 have most of the DRs anyway.

21 Q. Yes, it was Ameren's.

22 MR. OLIVERO: I think it was an Ameren

1 attachment to the response to DLH 12.01.

2 MS. YU: There's two pages.

3 MR. OLIVERO: Of the attachment?

4 MS. YU: No. There's two pages of the whole DR
5 with the attachment.

6 JUDGE ALBERS: Do you have a copy for us?

7 MS. YU: Yes.

8 (Whereupon AG Cross Exhibit 1
9 was marked for identification as
10 of this date.)

11 Q. So if you look at the attachment to that
12 response, it's entitled "MET transfer." On the page,
13 there's a section that's boxed off, and that shows
14 the entries to the deferred taxes at the time of the
15 transaction.

16 Is that your understanding?

17 A. That's my understanding.

18 Q. And the charges, if you look at the first
19 page or at the first four lines in that box, the
20 charges to Account 190 which is indicated by
21 1-40-190-365, those are offset by the entries
22 directly below those to Account 411, is that correct?

1 A. 411 is the credit entry, yes.

2 Q. Yes. And just to clarify, the debit

3 entries are precisely the same amount as the credit

4 entries, is that correct?

5 A. Yes.

6 Q. And Account 411 is an income statement

7 account for credits through the deferred income tax

8 expense, is that correct?

9 A. Yes.

10 MS. YU: Okay. Now, I have two more cross

11 exhibits, well, I'd like to move two more cross

12 exhibits into the record.

13 I have no more cross exhibits at this

14 time.

15 MR. OLIVERO: Let me ask for clarification, was

16 that Cross Exhibit 1?

17 MS. YU: So I will have a total of three cross

18 exhibits.

19 JUDGE ALBERS: Okay. Hand them out and we'll

20 take a look at them.

21

22

1 (Whereupon AG Cross Exhibits 2
2 and 3 were marked for
3 identification as of this date.)

4 MS. YU: So what I just handed out was
5 Ms. Hathhorn's response to AG data request 1.1 and
6 1.2.

7 JUDGE ALBERS: The DR that refers to AG 1.2 has
8 been stamped and marked as Cross Exhibit 2.

9 MS. YU: At this time, I'd like to move AG
10 Cross Exhibits 1, 2 and 3 into the record.

11 JUDGE ALBERS: Has staff and Ameren had a
12 chance to look at those?

13 MR. WHITT: No objections.

14 JUDGE ALBERS: Does staff have any objections?

15 MR. OLIVERO: No objections.

16 JUDGE ALBERS: AG Cross Exhibits 1, 2 and 3 are
17 admitted.

18 (Whereupon AG Cross Exhibits 1,
19 2 and 3 were admitted into
20 evidence at this time.)

21 MR. JENKINS: Excuse me, Your Honor. If I
22 could enter my appearance please. Alan Jenkins for

1 The Commercial Group, 2265 Roswell Road, Marietta,
2 Georgia.

3 JUDGE ALBERS: And does IIEC still have
4 questions for Ms. Hathhorn?

5 MR. ROBERTSON: Just have a couple, Your Honor.
6 It won't take ten minutes but yes.

7 Good morning, Ms. Hathhorn.

8 THE WITNESS: Good morning.

9 MR. ROBERTSON: My name is Eric Robertson. I
10 represent the Illinois Industrial Energy Consumers.

11 CROSS-EXAMINATION

12 BY MR. ROBERTSON:

13 Q. I'd like to refer you to page 17 of your
14 rebuttal testimony, Staff Exhibit 10.0.

15 A. I'm there.

16 Q. All right. In particular, I was looking at
17 your recommendation regarding Schedules FRA-1 and
18 FRA-1 REC at lines 356 and 357 and the language that
19 follows at 358 to 364.

20 Is it your intention -- is your
21 recommendation intended to be consistent with what
22 the Commission ordered in the Commonwealth Edison

1 case, Docket 11-0721?

2 A. Yes.

3 MR. ROBERTSON: Thank you.

4 JUDGE ALBERS: Mr. Whitt?

5 MR. WHITT: Yes. Thank you, Your Honor.

6 Good morning, Ms. Hathhorn. I'm Mark
7 Whitt. I'm one of the company's lawyer and I will be
8 your interrogator for the day. It's only marginally
9 worse than being at the dentist.

10 CROSS-EXAMINATION

11 BY MR. WHITT:

12 Q. Let me start by asking some follow-up on
13 the testimony discussed at page 6 of your direct
14 testimony regarding the Metro-East step-up basis.

15 A. I think you mean rebuttal.

16 Q. My apologies; your rebuttal.

17 And if I'm understanding this issue
18 correctly, it arises from the transfer of property
19 from CIPS to Union Electric in 2003 or so or it's the
20 other way around actually, Union Electric to CIPS?

21 A. Yes, that's correct.

22 Q. And you were a witness in the original

1 underlying proceeding, were you not?

2 A. I can't really recall sitting here right
3 now.

4 Q. If I were to show you a copy of the
5 Commission's order in that proceeding, would that
6 refresh your recollection?

7 A. Probably.

8 MR. WHITT: May I approach?

9 JUDGE ALBERS: Yes.

10 What was the docket number on that.

11 MR. WHITT: It's 03-0657.

12 JUDGE ALBERS: Thank you.

13 Q. BY MR. WHITT: Ms. Hathhorn, I have a copy
14 here of the order in Docket 03-0657 and referring to
15 page 2 of the order in the second paragraph lists a
16 number of witnesses for the Commission staff, and it
17 lists Ms. Diana Hathhorn, an accountant in the
18 Accounting Department of the Financial Analysis
19 Division and a certified public accountant sponsored
20 Staff Exhibit 2.0, is that correct?

21 A. Yes.

22 Q. Does that refresh your recollection of

1 whether you were a witness in this proceeding?

2 A. Yes.

3 MR. WHITT: May I approach again, Your Honor?

4 JUDGE ALBERS: Yes.

5 MR. WHITT: And I apologize for not having
6 copies. I'll just show the bench what I'm about to
7 show the witness, accounting entries filed in Docket
8 03-0657. I was not going to mark those as an exhibit
9 or move for their admission into the record because
10 it's a part of a record in another Commission
11 proceeding, but for the bench's convenience, I'm
12 happy to make copies for your files.

13 JUDGE ALBERS: It would be handy if we had
14 that.

15 MR. WHITT: Will do.

16 Q. BY MR. WHITT: Ms. Hathhorn, let me show
17 you a document dated June 23, 2005, and it's a cover
18 letter and various schedules which purport to be
19 accounting entries filed in Docket 03-0657.

20 On the first page of the accounting
21 entries, I would direct your attention, I know that
22 the record is not going to show me pointing but there

1 is an entry for Account 190, accumulated deferred
2 income taxes, and it lists a credit of \$17,664,689,
3 is that correct?

4 A. Yes, that's correct.

5 Q. And if we go further down the schedule,
6 there is an entry under Account 282 for accumulated
7 deferred income taxes, other property, reflecting a
8 debit entry of \$17,664,689, is that correct?

9 A. That's correct.

10 Q. Ms. Hathhorn, I'd now like to talk to you
11 about FIN 48, and you address this issue beginning at
12 page 8 of your rebuttal testimony.

13 Now, it's correct, is it not, that the
14 FIN 48 balance represents monies that the company has
15 not paid to the IRS due to certain tax deductions it
16 took, correct?

17 A. Yes.

18 Q. And the company and the experts it hired to
19 analyze tax issues have concluded it's more likely
20 than not that the IRS is going to disallow the
21 deductions represented by the FIN 48 amounts,
22 correct?

1 A. Yes.

2 Q. And is it your understanding that the more
3 likely than not standard means there is a greater
4 than 50 percent likelihood that those deductions will
5 be disallowed?

6 A. I have never seen that definition but that
7 would make sense.

8 Q. Okay. So if things turn out the way the
9 company and its experts believe they will turn out
10 with respect to whether the deductions are allowed or
11 not, the FIN 48 amounts will be paid or it's more
12 likely than not those amounts will be paid to the
13 government, correct?

14 A. The experts have concluded that it's more
15 likely than not.

16 However, the issues could be settled
17 with the IRS at amounts that are substantially
18 different from those original balances, so it's not
19 necessarily more likely than not that the entire
20 balance won't be paid or will be paid.

21 Q. And for the reasons you just explained,
22 that's why we call these tax revisions uncertain,

1 correct?

2 A. Yes.

3 Q. They're uncertain in terms of what the
4 ultimate liability is going to be correct?

5 A. Yes.

6 Q. The timing of when those taxes may be paid
7 is uncertain as well, is it not?

8 A. Well, the question is if they're ever going
9 to be paid. It's not just timing and amount. It's
10 also if ever.

11 Q. But if we accept it's more likely than not
12 that the amounts will be paid, even if we accept
13 that, we're not sure exactly when?

14 A. We don't know when. We don't know how
15 much.

16 Q. Okay. And if the FIN 48 amounts or some
17 portion thereof are paid to the government, then
18 Ameren cannot use that money to invest in rate base,
19 correct?

20 A. Well, they would have had the money from
21 the time of the presentation until the time of the
22 ruling, and then they would have to pay the taxes

1 with interest.

2 Q. And once the taxes with interest are paid,
3 obviously that money is not available to invest in
4 rate base, correct?

5 A. Right, but that's usually a substantial
6 period of time after the original tax return is
7 filed.

8 Q. Well, is the answer to my question correct
9 though or is the answer yes, that once the money is
10 paid, regardless of when it's paid, when it's paid to
11 the government, it's not available to the company any
12 longer, correct?

13 A. It wouldn't be available anymore.

14 Q. Yet the rate base deduction for the FIN 48
15 amounts would remain part of Ameren's rate structure
16 even though these amounts have been paid, correct?

17 A. I'm not sure that's true in the context of
18 this formula rate where the company will be coming in
19 every year and the IRS determinations could be
20 reflected in Ameren's ADIT.

21 Q. The point being though that there won't be
22 a change to ADIT or the formula rate until there is

1 another formula rate proceeding, correct?

2 A. Right, and those are annual.

3 Q. And it's only if the company and its tax

4 experts are wrong that Ameren will keep the FIN 48

5 amounts, correct?

6 A. That's correct.

7 Q. Now, if Ameren had not taken the tax

8 deductions that represent the FIN 48 amounts, it

9 would have paid more in income taxes, correct?

10 A. Yes.

11 Q. And that increased tax expense would be

12 recovered in rates, would it not?

13 A. Well, my understanding of Ameren is that

14 would be reflected through the deferred taxes, but

15 their income taxes on the income statement side would

16 be the same because they use a statutory rate and so

17 that deduction doesn't come into play there.

18 Q. Well, isn't it true that the net effect of

19 Ameren taking these deductions that resulted in

20 uncertain tax positions is that it lowered the

21 company's tax expense, at least temporarily?

22 A. Yes, it would.

1 Q. In effect did.

2 A. I could agree that it changed the deferred
3 taxes, but the amount that they paid to the IRS is
4 not what's in the revenue requirement on the expense
5 side, so it didn't affect that.

6 Q. Okay. Can we agree that lowering or taking
7 steps to lower current taxes is a benefit to utility
8 ratepayers?

9 A. I would agree.

10 Q. Now, at the bottom of page 10 on to page 11
11 of your rebuttal testimony, you cite some FERC
12 guidance on FIN 48.

13 Do you see that?

14 A. Yes, I do.

15 MR. WHITT: And may I approach, Your Honors?

16 JUDGE ALBERS: Yes, you may.

17 (Whereupon AIC Cross Exhibit 2
18 was marked for identification as
19 of this date.)

20 Q. BY MR. WHITT: Ms. Hathhorn, I've handed
21 you a copy of what we've marked as AIC Cross Exhibit
22 No. 2.

1 Can you identify this document as the
2 FERC guidance that you have quoted in your testimony?

3 A. Yes.

4 Q. And it's correct, is it not, that the FERC
5 guidance represented in AIC Cross Exhibit 2 applies
6 to financial reporting to FERC under the Uniform
7 System of Accounts?

8 A. Yes.

9 Q. And the FERC guidance does not affect rates
10 set or doesn't govern rates that FERC establishes,
11 correct?

12 A. It's not automatic. The company would
13 still have to present evidence to take a different
14 position than this guidance. This guidance doesn't
15 automatically change rates.

16 Q. Okay. With respect to FERC, and certainly,
17 FERC is not, through its guidance, purporting to
18 dictate to state commissions how they should treat
19 FIN 48 balances for ratemaking purposes, correct?

20 A. That's correct.

21 Q. And page 5 of AIC Cross Exhibit 2,
22 actually, starting at page 4 and going into page 5,

1 discusses interest in penalties, is that correct?

2 A. Yes.

3 Q. And is it your understanding that FERC
4 requires jurisdictional entities to accrue interest
5 in penalties on their uncertain tax positions?

6 A. I believe that's correct.

7 Q. And to the extent an entity is accruing
8 interest on penalties on FIN 48 amounts, the FIN 48
9 amounts are not available to the utility
10 interest-free, correct?

11 A. Yes.

12 Q. In other words, the FIN 48 amounts, in
13 fact, are not cost-free to the utility, correct?

14 A. The interest might occur in a different
15 period than the ratemaking period being analyzed, but
16 in totality, if there's interest, that's a cost, but
17 if we're looking here by year, the interest might not
18 be synching up with the tax year or the ratemaking
19 year.

20 Q. Well, the interest is applicable to the
21 date the utility filed its tax return, correct?

22 A. Yes.

1 Q. And the utility has to begin accruing for
2 interest in penalties as soon as a determination is
3 made that the amounts satisfied the standards for
4 classification under FIN 48, correct?

5 A. Yes.

6 Q. Now, would you agree with me that ADIT, or
7 accumulated deferred income taxes, essentially
8 represents timing differences between the amount of
9 tax expense collected in rates and when that tax
10 expense is paid?

11 And perhaps if that's oversimplified
12 let me know, but I'm just trying to establish a
13 general principle.

14 A. Right. It's often just called the
15 book-to-tax difference.

16 Q. Okay. And I would assume then that because
17 this is a book-to-tax timing difference that the
18 utility actually knows with respect to ADIT how long
19 it will have the use of funds before those funds have
20 to be paid in taxes, correct?

21 A. Yes.

22 Q. And it also knows the amount it will have

1 the use of until it needs to be paid to the
2 government, correct?

3 A. Yes.

4 Q. With respect to FIN 48 amounts, we talked
5 earlier about the uncertainty surrounding those
6 amounts, correct?

7 A. Yes.

8 Q. And the utility, until the IRS makes a
9 ruling, doesn't know how long it may have the use of
10 funds, correct?

11 A. Correct.

12 Q. It doesn't know whether the deduction will
13 be completely disallowed, partially allowed, or
14 allowed in full, correct?

15 A. Yes.

16 Q. And during this period of uncertainty, the
17 utility is also including interest in penalties on
18 those FIN 48 amounts, correct?

19 A. Yes.

20 Q. Whereas with ADIT, those funds are
21 available to the utility cost-free; hence, the reason
22 they're deducted from rate base, correct?

1 A. Correct.

2 Q. Now, on page 198 of your rebuttal
3 testimony, I'm sorry, line 198 -- if it was page 198,
4 we would file a motion to strike you physically --
5 you say that under the company's proposal, if the IRS
6 does not disallow the tax deduction associated with
7 the FIN 48 reserve, customers would not receive the
8 benefit of deferred tax credits until the first rate
9 case after tax returns are no longer subject to IRS
10 review and adjustment.

11 Did I read that correctly?

12 A. Yes, you did.

13 Q. Now, if the IRS does disallow the
14 deductions as all the experts expect, Ameren Illinois
15 would not receive the benefit of the use of
16 nonshareholder funds, correct?

17 A. Could you please repeat that question?

18 MR. WHITT: Could you read it?

19 (The reporter read back the last
20 question.)

21 Q. And let me qualify that by saying at that
22 point in time when the deduction is disallowed and

1 going forward.

2 A. So could you just walk through the
3 assumption again? I'm just not following what you're
4 asking.

5 Q. Sure. And let's go back. We'll circle
6 back to your testimony.

7 You talk about the company's proposal,
8 and you say that if the IRS does not disallow the tax
9 deductions, customers would not receive the benefit
10 of the deferred tax credits.

11 And my question really goes to the
12 opposite side of the same coin if you will; that if
13 the IRS does disallow the deductions, then Ameren
14 would not receive the benefit of the use of
15 nonshareholder funds?

16 MR. OLIVERO: I guess, can I just clarify
17 because you keep switching I guess.

18 In her example, she had customers, and
19 you're switching it to Ameren. Is that a fair
20 statement?

21 MR. WHITT: Yes.

22 MR. OLIVERO: You're switching that part of it?

1 MR. WHITT: Yes.

2 MR. OLIVERO: Okay.

3 THE WITNESS: So the IRS is allowing the
4 deduction in your example?

5 MR. WHITT: They're not allowing it.

6 THE WITNESS: They're not allowing it?

7 MR. WHITT: Right.

8 THE WITNESS: And are we assuming the company
9 proposal of including it?

10 MR. WHITT: Let me try it a little differently.

11 Q. I think what you're saying is that if the
12 IRS doesn't disallow the deduction, then the company
13 basically gets a windfall because they have FIN 48
14 amounts on the balance sheet that they thought they
15 were going to have to pay and they didn't, and
16 customers are on the losing end of that because, in
17 hindsight, we can look back and say, well, that
18 should have been a rate base deduction.

19 I don't want to mischaracterize what
20 you're saying.

21 A. No, that's a good general description.

22 Q. Okay. But the other side of that is that

1 if the IRS does, in fact, disallow the deductions as
2 the experts believe is going to happen, then once the
3 deductions are disallowed, Ameren doesn't have the
4 use of nonshareholder funds?

5 A. It doesn't have the use of that capital.

6 Q. What I said was correct?

7 A. Yes.

8 Q. Okay. Now, at line 202 of your rebuttal,
9 you say the company has proposed no mechanism to
10 protect customers from the increased rates while
11 awaiting the IRS to complete its review of the issue
12 if the FIN 48 reserve is proved to be unnecessary,
13 and my question here is would such a mechanism cause
14 you to reconsider your recommendation?

15 A. I would have given the mechanism thought,
16 and it's possible. I don't know.

17 Q. Okay. And in your testimony, you haven't
18 proposed a mechanism that would protect Ameren from
19 what could effectively be a double whammy, very
20 precise legal term, meaning a situation where there's
21 a rate base deduction for FIN 48 amounts and then a
22 subsequent loss of the use of capital associated with

1 those amounts.

2 Do you follow that?

3 A. I did not propose a mechanism.

4 Q. Can you think of any reason why Ameren
5 should continue to take aggressive tax positions
6 under your proposed recommendation concerning FIN 48?

7 MR. OLIVERO: Your Honor, I guess I'm going to
8 object as calling for speculation on her part as to
9 what Ameren may or may not do.

10 MR. WHITT: She's made a recommendation, and
11 I'm just trying to explore whether the witness has
12 given consideration to the consequences of that
13 recommendation to the extent she can.

14 JUDGE ALBERS: Understood. I'll allow the
15 question.

16 THE WITNESS: My understanding is Ameren files
17 taxes as part of the consolidated group, and so I
18 imagine it has a lot of competing interest in
19 determining tax positions and how the consolidated
20 group should file taxes, and Illinois ratemaking is
21 just one part of it, and so I couldn't really say for
22 sure that this one decision is going to negatively

1 affect their consolidated tax expense.

2 Q. But it certainly will affect Ameren
3 Illinois' tax expense, will it not, and its
4 ratepayers?

5 A. I don't know that.

6 Q. Would you expect that to be the case, that
7 to the extent we're in an Ameren Illinois rate case
8 and making recommendations with respect to Illinois
9 rates that those recommendations have consequences to
10 the company and its customers?

11 A. I wouldn't expect it to be a direct
12 one-for-one result because Ameren Illinois doesn't
13 file taxes by itself.

14 Q. I want to ask you a few questions that deal
15 with the issue of using the average rate base for
16 reconciliations, and before I approach, I would just
17 ask if you happen to have a copy of 16-108.5(c) and
18 (d) with you?

19 A. No, I do not.

20 MR. WHITT: Well, I do, and I would ask the
21 Commission to approach.

22 JUDGE ALBERS: Yes.

1 MR. WHITT: We can refer to this document as
2 AIC Cross Exhibit 3 although I will not be moving for
3 its admission. For the parties and the bench, it's
4 an excerpt of the formula rate statute.

5 (Whereupon AIC Cross Exhibit 3
6 was marked for identification as
7 of this date.)

8 Q. Ms. Hathhorn, I've handed you what we've
9 marked as AIC Cross Exhibit 3. It's an excerpt of
10 516-108.5(c) and Subsection (d) is in here as well.

11 I'll ask you to turn to subsection (d)
12 which is the fourth to the last page of the document.
13 I apologize. I don't have page numbers on it?

14 A. I'm there.

15 Q. Okay. And Subsection (d) addresses an
16 annual filing due on or about May 1 of each year,
17 correct?

18 A. Yes.

19 Q. And this filing has been referred variously
20 in this proceeding as a reconciliation or an update
21 proceeding.

22 Would that terminology be familiar to

1 you?

2 A. Yes.

3 Q. Okay. And Subsection (d) as part of the
4 filing requires the utility to file updated cost
5 inputs to the performance-based rate for the
6 applicable rate year and the corresponding new
7 charges.

8 I'm reading from the end of the first
9 sentence of Subsection (d).

10 A. I see that, yes.

11 Q. And can we agree that the updated cost
12 inputs referred to in Subsection (d), that those
13 updated cost inputs really serve -- well, first of
14 all, the updated cost inputs refers to FERC Form 1,
15 does it not?

16 A. Yes.

17 Q. And in the May proceedings, the FERC Form 1
18 serves essentially two purposes, does it not, one to
19 update for new rates and the other purpose is to
20 reconcile prior year rates, is that correct?

21 A. That's correct.

22 Q. And in Subsection (d)(1), it says that the

1 input to the performance based formula rate for the
2 applicable rate year shall be based on final
3 historical data reflected in the utility's most
4 recently filed annual FERC Form 1 plus projected
5 plant additions and correspondingly updated
6 depreciation reserve and expense for the calendar
7 year in which the inputs are filed, correct?

8 A. Yes.

9 Q. And that is referring to rates that will be
10 set prospectively, correct?

11 A. Yes.

12 Q. For example, in May of 2013, Ameren
13 Illinois will update its formula rate tariff with
14 actual information from its 2012 FERC Form 1 plus
15 projected plant additions and depreciation, correct?

16 A. Yes.

17 Q. And that information will be used to set
18 rates that go in effect in January 2014, correct?

19 A. Yes.

20 Q. And you're not disputing that those
21 projected plant additions should be averaged in
22 calculating rate base for the prospective rates?

1 A. Correct. That's not my position.

2 Q. Now, if we continue in Subsection (d)(1)
3 from where I left off, it says the filing shall also
4 including a reconciliation of the revenue requirement
5 that was in effect for the prior year as set by the
6 cost inputs for the prior rate year with the actual
7 revenue requirement for the prior rate year as
8 reflected in the applicable FERC Form 1 that reports
9 the actual cost for the prior rate year.

10 So going back to our May 2013 example,
11 for a reconciliation in that filing, the exercise
12 will be to compare the revenue requirement based on
13 final 2012 FERC Form 1 data to the revenue
14 requirement that was actually in effect in 2012,
15 correct?

16 A. Yes.

17 Q. And the actual cost for the prior rate year
18 will show up in FERC Form 1 as the year end balance
19 of rate base, correct?

20 A. The December 31, 2012 rate base will
21 reflect the cumulative effect of all the charges for
22 2012.

1 Q. Right. And all of the year end rate base
2 as of the end of 2012, the plant in service that
3 represents that rate base will, in fact, be in
4 service and be used and useful by the time rates are
5 established for 2014, correct?

6 A. Yes.

7 Q. Could we agree that in the May proceeding,
8 I think we've established that there are really two
9 purposes. One is a reconciliation, and the other is
10 to set rates prospectively. I think we agreed on
11 that, didn't we?

12 A. Yes.

13 Q. And can we agree that the exercise of
14 setting formula rates prospectively is analogous to
15 how rates are set in the future test year insofar as
16 we are making projections about future periods?

17 A. I don't know about that. I mean, a future
18 test year has everything projected way out and the
19 formula rate as the company represents is just plant
20 and accumulated depreciation, and other parties have,
21 including myself, have ADIT, but future test year,
22 everything is projected way out in the future.

1 Q. Okay. But if we focus on a rate base, we
2 will be in a proceeding in May of 2013, the
3 proceeding will start in May 2013 to set rates that
4 would go in effect in January of 2014, correct?

5 A. Yes.

6 Q. And insofar as we are going to use an
7 average rate base to set rates prospectively, that's
8 what we do in future test years as well, correct?

9 A. Average rate bases are used in future test
10 years.

11 Q. Okay. Now, for the reconciliation portion
12 of the proceeding, we're actually looking backward in
13 time, are we not?

14 A. Yes.

15 Q. And in the reconciliation, we're not
16 setting rates, correct? We're reconciling the
17 previous rates?

18 A. We're reconciling them, but the results of
19 that reconciliation gets included in the rates that
20 go forward.

21 Q. But it's not establishing a rate per se.
22 It's looking at what we thought would happen versus

1 what did happen and making an adjustment going
2 forward, correct?

3 A. Yes, and that adjustment going forward is
4 included in rates. Otherwise, there would be no
5 point.

6 Q. But, again, for the reconciliation portion
7 of the proceeding, we're not establishing a rate.
8 We're doing a reconciliation, the results of which
9 would then be applicable to the updated cost inputs
10 that go in effect the subsequent year, correct?

11 A. I guess my trouble is that there really is
12 only one proceeding. You know, even though we talk
13 about two parts of it, the result of an analysis of
14 the reconciliation goes into -- there's only one rate
15 that's put into effect in this proceeding, so the
16 adjustment is going to result in a change in rates
17 even though it's combined with other amounts.

18 Q. But there are two steps to the process,
19 correct?

20 A. There's two steps but there's not two
21 proceedings, so the reconciliation is going to result
22 in a change in rates.

1 Q. And to use the words of the statute, for
2 the reconciliation portion of the proceeding, we're
3 looking backward to see, quote, "what the revenue
4 requirement would have been had the actual cost
5 information for the applicable rate year been
6 available at the filing date," is that right?

7 A. If you point me where you're reading from,
8 please.

9 Q. It's I believe C6.

10 A. And could you please repeat the question?

11 Q. Sure.

12 The purpose of the reconciliation is
13 to determine what the revenue requirement would have
14 been had the actual cost information for the
15 applicable calendar year been available at the filing
16 date.

17 A. Yes.

18 Q. And is it your opinion that to the extent
19 the reconciliation results in an over- or
20 underrecovery that the same interest rate ought to be
21 used?

22 A. That's my understanding of the ComEd

1 decision on the same issue.

2 Q. And a number of your recommendations are
3 premised on the notion that there should be
4 consistency between the ComEd and Ameren decisions?

5 A. That's correct.

6 MR. WHITT: I have no further questions.

7 JUDGE ALBERS: Thank you.

8 Do you have any redirect?

9 MR. OLIVERO: We will, Your Honor. Can we have
10 a short break?

11 JUDGE ALBERS: Yes.

12 (Recess taken.)

13 JUDGE ALBERS: Back on the record.

14 MR. OLIVERO: Your Honor, we have very brief
15 redirect.

16 JUDGE ALBERS: First, Mr. Whitt, did you want
17 to move for admission of Ameren Cross Exhibit 2?

18 MR. WHITT: Yes, I would, Your Honor. For the
19 record, those are the accounting entries in ICC
20 Docket No. 03-0657.

21 JUDGE ALBERS: I thought No. 2 was the FERC
22 guidance.

1 MR. WHITT: Oh, I'm sorry.

2 JUDGE ALBERS: Did you want to --

3 MR. WHITT: Yeah, I do want to -- well,

4 actually, the FERC guidance I believe is a CUB

5 exhibit so I don't think we necessarily need to move

6 for its admission.

7 MR. OLIVERO: Okay. Well, I mean, I was just

8 going to use this to refer her to.

9 MR. WHITT: Well, why don't we go ahead. The

10 FERC guidance would be AIC Cross Exhibit 2, and we

11 would move for its admission. The accounting entries

12 were --

13 JUDGE ALBERS: You do want to move for their

14 admission?

15 MR. WHITT: Yes.

16 JUDGE ALBERS: You've got four now. We

17 previously didn't identify them.

18 MR. WHITT: I don't think we had a 1.

19 JUDGE YODER: Yesterday you did.

20 JUDGE ALBERS: So with regard to AIC Cross

21 Exhibit 2, the FERC guidance document regarding FIN

22 48, any objection to that one?

1 MR. OLIVERO: No, Your Honor.

2 JUDGE ALBERS: Okay. Then that one is

3 admitted.

4 (Whereupon AIC Cross Exhibit 2

5 was admitted into evidence at

6 this time.)

7 JUDGE ALBERS: And AIC Cross Exhibit 3, the

8 excerpts from the Act, that was not offered. You

9 don't intend to offer it for admission? It's just

10 for reference?

11 MR. WHITT: That's correct, Your Honor.

12 JUDGE ALBERS: Okay. And AIC Cross Exhibit 4,

13 the accounting entries from Docket 03-0657, any

14 objection to admitting that exhibit?

15 MR. OLIVERO: No, Your Honor.

16 JUDGE ALBERS: All right. So that one is

17 admitted as well.

18 (Whereupon AIC Cross Exhibit 4

19 was marked for identification as

20 of this date.)

21

22

1 (Whereupon AIC Cross Exhibit 4
2 was admitted into evidence at
3 this time.)

4 JUDGE ALBERS: All right. Thank you.

5 All right. Mr. Olivero, do you have
6 redirect then?

7 MR. OLIVERO: I do, Your Honor. Thank you.

8 REDIRECT EXAMINATION

9 BY MR. OLIVERO:

10 Q. Ms. Hathhorn, I'd like to direct your
11 attention to AIC Cross Exhibit 2, the FERC guidance
12 document.

13 A. All right.

14 Q. You were asked on cross-examination whether
15 it dictated ratemaking treatment.

16 Do you wish to clarify your response
17 to those lines of questions?

18 A. Yes. Since this case is using the formula
19 rate which is based on amounts that are reported in
20 the FERC to the Uniform System of Accounts, the FERC
21 Uniform System of Accounts is definitely valid in
22 setting formula rate.

1 Q. Thank you.

2 And then I'd also like you to please
3 clarify staff's position regarding the line of cross
4 when you were asked when average rate base should be
5 used.

6 A. Staff's position is that for the
7 prospective rates, year round rate base would be used
8 for that calculation and the projected plant
9 additions, and that average rate base would be used
10 to determine the reconciliation component.

11 MR. OLIVERO: I have nothing further, Your
12 Honor.

13 JUDGE ALBERS: Any recross by anyone?

14 MR. WHITT: Very briefly.

15 RECROSS-EXAMINATION

16 BY MR. WHITT:

17 Q. Ms. Hathhorn, the FERC guidance was issued
18 in May of 2007, correct.

19 A. Yes.

20 Q. And formula rates in Illinois, the
21 legislation wasn't passed until 2011, correct?

22 A. Yes.

1 MR. WHITT: Nothing further.

2 MR. OLIVERO: Nothing further.

3 JUDGE ALBERS: All right. Any objection then

4 to the admission of Ms. Hathhorn's exhibits?

5 MR. WHITT: No objection.

6 JUDGE ALBERS: Then hearing none, Staff

7 Exhibits 1.0 through 1.10 with Attachment A and 10.0

8 through 10.07 with Attachment A are admitted as they

9 are on e-Docket.

10 (Whereupon Staff Exhibits 1.0

11 through 1.10 and 10.0 through

12 10.07 were admitted into

13 evidence at this time.)

14 MS. LUSSON: Judge Albers, it's my

15 understanding that three additional AG Cross Exhibits

16 were admitted and numbered as 1, 2 and 3, and I just

17 wanted to clarify, yesterday I introduced an exhibit,

18 AG Cross Exhibit 1, during Mr. Heintz's cross, so I

19 think they would be 2, 3 and 4.

20 JUDGE ALBERS: You're correct. Okay. Yes. As

21 Ms. Lusson indicated, yesterday AG Cross Exhibit 1

22 was admitted, so with regard to the three that were

1 offered and admitted today, the one pertaining to
2 Staff DR DLH 12.01 will be AG Cross Exhibit 2. The
3 one pertaining to AG DR 1.2 will be AG Cross
4 Exhibit 3, and the one pertaining to AG DR 1.1 will
5 be AG Cross Exhibit 4.

6 (Whereupon the previously
7 identified AG Cross Exhibits 1,
8 2 and 3 were remarked at this
9 time as AG Cross Exhibits 2, 3
10 and 4 respectively, and the
11 previously admitted AG Cross
12 Exhibits 1, 2 & 3 should be
13 designated as AG Cross Exhibits
14 2, 3 and 4 respectively.)

15 MR. OLIVERO: Your Honor, we were wondering if
16 we could have a short break to discuss some aspects
17 of Mr. Stafford's cross to see whether or not we
18 could get some issues resolved.

19 JUDGE ALBERS: It might get cut down you're
20 thinking?

21 MR. OLIVERO: Hopefully.

22 JUDGE ALBERS: Yes. Why don't we do that then.

1 (Recess taken.)

2 JUDGE ALBERS: Back on the record.

3 I guess, just so I'm not curious for

4 the rest of the morning, have we had any luck in

5 reducing the amount of cross for Mr. Stafford.

6 MS. LUCKEY: I think we've tried to cut down on

7 some of it, but we will have some clarifying

8 questions.

9 JUDGE ALBERS: Not like five or ten minutes

10 anymore?

11 MS. LUCKEY: Probably more like an hour.

12 JUDGE ALBERS: Okay. Mr. Stafford you were

13 sworn in this morning?

14 MR. STAFFORD: Yes, I was.

15 JUDGE ALBERS: Mr. Whitt, are you doing the

16 introduction?

17 MR. WHITT: Yes.

18 Good morning, Mr. Stafford.

19

20

21

22

1 RONALD D. STAFFORD

2 called as a witness herein, on behalf of Ameren
3 Illinois Company, having been first duly sworn on his
4 oath, was examined and testified as follows:

5 DIRECT EXAMINATION

6 BY MR. WHITT:

7 Q. Could you please introduce yourself by
8 stating your full name and employer and title?

9 A. Yes. My name is Ronald D. Stafford,
10 Manager of Regulatory Accounting for Ameren Illinois,
11 (314) 206-0584.

12 Q. Mr. Stafford, do you have in front of you a
13 document entitled "Revised Direct Testimony of Ronald
14 D. Stafford" marked as AIC Exhibit 2.0 Revised
15 accompanied by a document marked AIC Exhibit 2.1,
16 exhibit to direct testimony of Ronald D. Stafford,
17 and Exhibit 2.2 Revised, revised exhibit to the
18 direct testimony of Ronald D. Stafford, and AIC
19 Exhibits 2.3 through 2.6?

20 A. Yes, I have those.

21 Q. Do these documents represent your direct
22 testimony and supporting exhibits filed in this

1 proceeding?

2 A. Yes, they do.

3 Q. Do you have any corrections to your direct

4 testimony or exhibits?

5 A. No, I do not.

6 Q. Do you also have in front of you a document

7 marked as AIC Exhibit 13.0, Rebuttal Testimony of

8 Ronald D. Stafford, accompanied by AIC Exhibits 13.1

9 through 13.5?

10 A. I have those.

11 Q. Do these documents represent your rebuttal

12 testimony and supporting exhibits filed in this

13 proceeding?

14 A. Yes, they do.

15 Q. Do you have any corrections to your

16 rebuttal testimony or exhibits?

17 A. No, I don't.

18 Q. Do you have in front of you a document

19 marked AIC Exhibit 23.0 Revised titled "Revised

20 Surrebuttal Testimony of Ronald D. Stafford"

21 accompanied by AIC Exhibits 23.1 through 23.2?

22 A. Yes, I have those.

1 Q. Do these documents represent your
2 surrebuttal testimony and supporting exhibits filed
3 in this proceeding?

4 A. Yes, they do.

5 Q. Do you have any corrections to your
6 surrebuttal testimony or exhibits?

7 A. No, I do not.

8 Q. If I were to ask you the same questions
9 that appear in the previously identified testimony
10 here today, would your answers be the same?

11 A. Yes, they would.

12 MR. WHITT: With that, Your Honor, I would move
13 for the admission of the previously identified
14 exhibits subject to cross-examination.

15 JUDGE ALBERS: Very good.

16 Who would like to go first with the
17 cross-examination?

18 MR. LANNON: Your Honor, if it's all the same
19 with everyone else, I'd like to go first.

20 JUDGE ALBERS: All right.

21 MR. LANNON: Hello, Mr. Stafford. How are you?

22 THE WITNESS: Doing fine. Thank you, sir.

1 MR. LANNON: My name is Mike Lannon. I
2 represent the staff of the Illinois Commerce
3 Commission.

4 I'm going to have a series of
5 questions for you, and then I believe one of my
6 colleagues in the hearing room is going to follow up
7 with a couple of very brief questions.

8 THE WITNESS: Okay.

9 CROSS-EXAMINATION

10 BY MR. LANNON:

11 Q. Now, first, I can hear you. I assume you
12 can hear me, is that right?

13 A. I can hear you fine. Thank you.

14 Q. Okay. And I can see you and I assume you
15 can see me, is that right?

16 A. Yes. I've got the microphone on here. Do
17 you need me to speak louder?

18 Q. No, no. You're okay.

19 A. Okay.

20 Q. Now, an issue came up yesterday, and I want
21 to be perfectly clear on this with the record.

22 If you can see me, you can see that

1 I'm wearing a suit today, is that correct?

2 A. I can see that, yes.

3 Q. Okay. Thank you.

4 Now, I'd like for you to pull out your

5 direct testimony or revised direct testimony, Ameren

6 Exhibit 2.0, and go to page 1, please.

7 JUDGE ALBERS: Mr. Lannon, when you turn your

8 head, we're losing you a little bit on the

9 microphone, so just try to be aware of that.

10 MR. LANNON: I'll try to keep that in mind,

11 Your Honor, reposition a little.

12 Q. Are you there at page 1, sir?

13 A. Yes.

14 Q. Okay. I'm looking down at the last Q and A

15 on that page, and I believe you state that you're

16 responsible for, among other things, preparation of

17 regulatory required reports, is that right?

18 A. Yes, that's correct.

19 Q. And would you be assisting in the

20 preparation of the 2010 Form 21 which is the ICC

21 annual report and also required as part of the 285

22 filing?

1 A. I would assist with that, yes.

2 Q. And the same question for the 2010 FERC
3 Form 1 annual report. Did you assist in the
4 preparation of that?

5 A. Yes.

6 Q. Okay. And one more general kind of
7 background question.

8 Could you define a calendar year for
9 me?

10 A. A calendar year is 2010, 2011.

11 Q. Okay. Would you agree with me that a
12 calendar year runs from January 1st through
13 December 31st as opposed to some other length of
14 months?

15 A. A calendar year runs from January 1st
16 through December 31st.

17 Q. Thank you.

18 Okay. Do you have before you your
19 Exhibit 13.4 which is an attachment to your rebuttal?

20 A. Yes, I do.

21 Q. And could you go to page 7 of 7?

22 A. I'm sorry. Could you repeat that, please?

1 Q. Yes. The last page of Exhibit 13.4 is
2 labeled page 7 of 7.

3 A. I have that.

4 Q. Okay. And do you see on that page, page 7
5 of 7 of Exhibit 13.4, there's one large table kind of
6 broken up into three separate tables. Do you see
7 that?

8 A. Yes, I do.

9 Q. Okay. In the top table in the middle
10 column, the middle column is labeled dividends.
11 Would you agree with that?

12 A. Yes.

13 Q. And can you tell me out of all these
14 dividends there, and I think there's three years'
15 worth, are those all cash dividends?

16 A. Yes, they are.

17 Q. So there are no stock dividends or asset
18 dividends reflected in that column on this page 7 of
19 7 of 13.4, is that correct?

20 A. That's correct.

21 Q. Okay. Can you tell me what the USOA stands
22 for?

1 A. I'm sorry. Is that on this page somewhere?

2 Q. No, it's not. It's a common accounting

3 acronym.

4 A. USOA, Uniform System of Accounts.

5 Q. Okay. Now, would you agree with me that

6 the USOA identifies retained earnings as accounts

7 215, 215.1 and 216?

8 A. Subject to check, I would agree with that.

9 Q. Now, let's go back to or let's turn to your

10 surrebuttal, but we'll come back to 13.4 again to

11 that very same page.

12 If you'd turn to page 7 of your

13 surrebuttal, Ameren Exhibit 23.0.

14 A. I have that.

15 Q. Okay. And start on line 133. I believe

16 you testified the effects of purchase accounting

17 adjustments are reflected in retained earnings, and

18 as retained earnings are reduced by dividends, the

19 effect of those adjustments are removed from the

20 balance sheet.

21 Do you see that? Did I accurately

22 read that?

1 A. You did. Thank you.

2 Q. Okay. And are you saying here that there
3 are no more purchase accounting adjustments reflected
4 in retained earnings as of December 31, 2008?

5 A. The retained earnings at December 31, 2008
6 do not reflect any additional purchase accounting
7 adjustments if that is the question.

8 Q. What is the amount of purchase accounting
9 adjustments reflected in retained earnings then as of
10 December 31, 2008?

11 A. Well, as of December 31st, as indicated on
12 the prior Exhibit 13.4, page 7, which was a document
13 used to support the calculation of the ratemaking
14 retained earnings adjustment to common equity in
15 Docket 09-0306, the calculation indicated that the
16 entire amount of purchase accounting net income that
17 was transferred to retained earnings was paid out in
18 cash common dividends. Therefore, there was no
19 remaining balance in retained earnings for purchase
20 accounting.

21 There was a remaining balance in
22 retained earnings for nonpurchase accounting related

1 net income.

2 Q. Okay. And we're going to take a closer
3 look at 13.477, but why don't you stay right there.

4 Can you tell me what the amount of
5 purchase accounting adjustments are that would be
6 reflected in retained earnings as of December 31,
7 2010?

8 A. There are no purchase accounting
9 adjustments reflected -- oh, December 31, 2010?

10 Q. Yes, that's right.

11 (Pause)

12 A. Well, I cannot locate the exact balance now
13 in my testimony. That amount is over 7 million
14 negative retained earnings at the end of 2010 related
15 to purchase accounting.

16 Q. Fair enough.

17 Am I correct that the company has
18 presented eight schedules that reflect an adjustment
19 removing 80 remaining construction work in progress,
20 or CWIP, accruing AFUDC from long-term capital
21 components?

22 A. I'm not aware of any. I would recommend

1 you ask Mr. Martin that question. I'd defer to him
2 for a definitive answer.

3 Q. Fair enough.

4 Okay. Back on page 7 of 7,
5 Exhibit 13.4, that same page we were looking at
6 before with the three tables.

7 A. I have that.

8 Q. Okay. Let's look at the bottom table if we
9 could, and could you just read to me what that first
10 column's heading or title is?

11 A. The first column heading is net income to
12 common.

13 Q. Okay. That's good, but let's go down one
14 table. It's dividend adjusted purchase accounting I
15 think, is that right?

16 A. Right, the last of the three is dividend
17 adjusted purchase accounting, that's correct.

18 Q. And the very next one to it would be
19 dividend adjusted nonpurchase accounting, correct?

20 A. That's correct.

21 Q. Okay. And then you mentioned in the table
22 above it net to com, is that right?

1 A. Net income to common.

2 Q. Net income to common income or common
3 dividend?

4 A. That's the amount of net income recorded in
5 the income statement that's transferred to common
6 equity. Essentially it's recorded in the retained
7 earnings accounts.

8 Q. Now, going back to the bottom table so to
9 speak, would you agree with me that for the year
10 2004, the dividend adjusted purchase accounting
11 amount of 6,551,151 -- do you see that number, did I
12 read that right?

13 A. That's correct.

14 Q. Okay. Was that number calculated as
15 follows, as 26,551,151 of purchase accounting which
16 is reflected in the table above in the year '04 in
17 the middle of column, is that right?

18 A. That is correct.

19 Q. Okay. So the dividend adjusted purchase
20 adjustment amount, 6,551,151, is the 26,551,151 less
21 20 million in common dividends that Ameren paid in
22 the first quarter '05, is that right?

1 A. That's correct.

2 Q. Now, could you look down at note 3 on that
3 same page?

4 A. I see that.

5 Q. Okay. And just for the record, I'll read
6 that note, and you can tell me if I read it right.
7 It says, first quarter 2005 dividends assigned a
8 hundred percent to fourth quarter 2004 purchase
9 accounting income. Remaining 2005 dividends
10 allocated between 2005 PA and non-PA.

11 Did I read that right?

12 A. Yes.

13 Q. Now, focusing in on the phrase remaining
14 2005 dividends, did that refer to the 76 million
15 common dividends which is noted in the first table,
16 middle column, for '05 less 20 million common
17 dividends that Ameren paid out first quarter '05?

18 Did you follow that or should I break
19 that down?

20 A. No, I understand that. I put the schedule
21 together so I'm familiar with it.

22 Q. Okay. Was that right?

1 A. That's correct.

2 Q. And that would leave 56 million, right?

3 A. Correct.

4 Q. Okay. Would you agree that the '05

5 dividend adjusted PA amount, and this is down in the

6 bottom table just so you're aware, of 14,026,200 was

7 calculated as follows: multiply the 56 million of

8 remaining '05 dividends by the ratio which numerator

9 is the purchase accounting amount of 342,992,008 and

10 the denominator is the 2005 net to com amount of

11 94,744,484?

12 A. I agree.

13 Q. And these specific numbers are reflected in

14 this table, right?

15 A. Yes.

16 Q. Then if you subtract that amount from the

17 '05 purchase accounting amount or then you would

18 subtract the '05 purchase accounting amount of

19 34,299,208 from that number, is that right?

20 A. I'm not sure I follow exactly. I'll try to

21 clarify if I may.

22 Q. Sure. I'm not sure what I said either.

1 A. The purchase accounting net income in 2005
2 was 34,299,208, and that was approximately one-third
3 of the total net income to common of 94,744,484, so
4 roughly one-third of the remaining 2005 common
5 dividends of 56 million was assigned to purchase
6 accounting with the remaining two-thirds assigned to
7 nonpurchase accounting, and the amount of dividend
8 adjusted retained earnings was reduced by the
9 proportionate allocation of the 56 million of common
10 dividends between purchase accounting and nonpurchase
11 accounting.

12 Q. Okay. Now, can you look at the '05
13 dividend adjusted nonpurchase accounting and I think
14 that amount is 24,718,284, is that right?

15 A. Correct.

16 Q. Now, you calculated that number I believe
17 by multiplying the 56 million of the remaining '05
18 dividends by a ratio in which the numerator would be
19 the '05 non-PA amount which would be 60,445,276 and
20 the denominator would be the '05 com amount of
21 94,744,484, correct?

22 A. Correct.

1 Q. Okay. And then, here again, you would
2 subtract...

3 A. I'm sorry. Would you repeat that, please?

4 Q. I'm trying to formulate a rational question
5 here.

6 Then I believe you would subtract that
7 amount that we just went through the calculation from
8 the '05 non-PA amount of 64,455,276, is that right?

9 A. Correct.

10 MR. LANNON: Can you hang on just a second?
11 I'm almost done. I may be done.

12 Thank you, Mr. Stafford, for your
13 cooperation. I am done with questions for you
14 although, like I said before, I believe one of my
15 colleagues is going to have one or two questions.

16 And, Your Honor, I would like to move
17 into the record some DR responses that will serve in
18 lieu of cross-examination.

19 The company has agreed to stipulate so
20 to speak that these will go in, and I've got a series
21 of DR responses, and I'm wondering how you would like
22 those to go in.

1 Would you prefer that we just continue
2 with a staff cross exhibit number, whatever that is?
3 I think it might be 2 or 3.

4 JUDGE ALBERS: I think it's 3.

5 MR. OLIVERO: Actually, can we have him skip,
6 because I had marked an exhibit that I was going to
7 be putting in as 3, so can we do his as 4?

8 JUDGE ALBERS: That's fine.

9 MR. OLIVERO: Thank you.

10 MR. LANNON: Okay. Could you make that -- Your
11 Honor, I've got...

12 JUDGE ALBERS: Mr. Lannon, is that a group
13 cross exhibit? Is there multiple documents all
14 together?

15 MR. LANNON: Yeah, there's about four DR
16 responses, maybe five. Could I make that Staff Cross
17 Group Exhibit 4?

18 JUDGE ALBERS: Yes.

19 And does anyone have a copy of that
20 down here?

21 MR. LANNON: Yes, I believe they do. I believe
22 Rochelle had brought copies down.

1 MS. LUCKEY: Mike, can you quickly articulate
2 which DRs you're looking to get in?

3 MR. LANNON: Absolutely. RMP 505, RMP 506, RMP
4 13.01, RMP 13.02, RMP 13.03, RMP 13.04, and these
5 would all be the original responses that were
6 prepared by Mr. Stafford.

7 JUDGE ALBERS: We've got Staff Cross Group
8 Exhibit 4 which consists of staff DRs RMP 5.05, 5.06,
9 13.01, 13.02, 13.03, and 13.04, is that right?

10 MR. LANNON: That's correct, Your Honor.

11 JUDGE ALBERS: Okay.

12 MR. LANNON: Well, let's just deal with those.
13 I have a couple other things, but I'd move for entry
14 into the evidentiary record Staff Cross Group
15 Exhibit 4.

16 JUDGE ALBERS: Ameren has seen this or is aware
17 of it?

18 MR. WHITT: I think I know generally which ones
19 they are but I'd like to see the stack. I don't
20 think it's going to be an issue.

21 JUDGE ALBERS: Okay. We'll take a look at them
22 before we move on then.

1 (Whereupon Staff Cross Group
2 Exhibit 4 was marked for
3 identification as of this date.)
4 (Pause)

5 MR. WHITT: May I approach my witness, Your
6 Honor?

7 JUDGE ALBERS: Yes.
8 (Pause)

9 MR. WHITT: Your Honor, the company has no
10 objection to Staff Cross Exhibit 4.

11 JUDGE ALBERS: Hearing no objection, then Staff
12 Cross Group Exhibit 4 is admitted.

13 (Whereupon Staff Cross Group
14 Exhibit 4 was admitted into
15 evidence at this time.)

16 MR. LANNON: Your Honor, next I would like to
17 either move into the record or ask you to take
18 administrative notice of Form 21 which is the
19 Commission required annual report dated 2010 which
20 was provided as part of 285 filing, and I believe
21 that's 167 pages, and I would also like to move into
22 the evidentiary record or, if it's more convenient,

1 take administrative notice of FERC financial report
2 Form No. 1 which was also part of the 285 filing, and
3 I believe that's over 500 pages.

4 So if you think it's more convenient
5 just to take administrative notice, we can do that.
6 I can talk about that or we could put in electronic
7 copies of these. We could file them on e-Docket.

8 JUDGE ALBERS: The first one was ICC Form 21?

9 MR. LANNON: Yes, Your Honor.

10 JUDGE ALBERS: Is that part of the 285 filing
11 then.

12 MR. LANNON: Yes.

13 JUDGE ALBERS: Okay. And what year was that
14 for then?

15 MR. LANNON: 2010.

16 JUDGE ALBERS: Same for the FERC financial
17 report No. 1?

18 MR. LANNON: Yeah, end of 2010, fourth quarter;
19 also part of the 285 filing.

20 Of course, Mr. Stafford has testified
21 that he assisted in the preparation of both.

22 JUDGE ALBERS: All right. Well...

1 MR. KENNEDY: And the company doesn't have an
2 objection to either option. We talked to Mr. Lannon
3 about it, and we were going to leave it up to the ALJ
4 to decide which option you preferred.

5 MR. LANNON: That's correct, Your Honor.

6 JUDGE ALBERS: I think we agree it would be
7 simpler to take administrative notice of it if no one
8 objects to that because it's part of the 285 filing
9 and it's accessible on the e-Docket.

10 MR. WHITT: That's fine, Your Honor.

11 MR. KENNEDY: That's fine with us.

12 MR. LANNON: Your Honor, do you want me to file
13 it on e-Docket then?

14 JUDGE ALBERS: No. I think the ruling today
15 here now we'll take administrative notice of the ICC
16 Form 21 2010, FERC Financial Report No. 1 2010 as it
17 appears in the company's 285 filing in this docket.

18 MR. LANNON: Thank you, Your Honor, and Your
19 Honor, I believe I'm going to turn it over to my
20 colleague, either Jim or Nicole. I'm not exactly
21 sure which one.

22 MR. OLIVERO: I just have a few questions for

1 Mr. Stafford, but prior to doing so, staff and Ameren
2 had agreed to the entry into the record of DR
3 responses to DLH 16.01 through 8 as well as 16.08
4 Revised, and we were going to have those admitted
5 into the record as Staff Cross Group Exhibit No. 3,
6 and I have copies.

7 JUDGE ALBERS: Could you identify those
8 particular DRs again?

9 MR. OLIVERO: They were 16.01 through 16.08 and
10 then there was a revised 16.08 as well.

11 (Whereupon Staff Cross Group
12 Exhibit 3 was marked for
13 identification as of this date.)

14 MR. OLIVERO: By the way, my name is Jim
15 Olivero. I'm asking a few questions on behalf of
16 staff.

17 CROSS-EXAMINATION

18 BY MR. OLIVERO:

19 Q. Mr. Stafford, in regard to Staff Cross
20 Group Exhibit No. 3, if I could refer you to the
21 response to DLH 16.08R, the attachment.

22 A. Yes.

1 Q. Do you have that with you?

2 A. Yes.

3 Q. Okay. Can you explain to me, what is the
4 purpose of entry B on that particular attachment?

5 A. Sure.

6 Entry B is a two-part entry. It's to
7 record accumulated deferred income taxes related to
8 investment tax credits. I'll refer to those as ADIT
9 and ITC respectively, and the gross-up income tax
10 effect of ADIT which impacts not only Account 190 but
11 the regulatory liability and the purpose of entry B
12 is to reflect that as a regulated utility, when the
13 investment tax credit was taken on Ameren Illinois'
14 income tax returns a number of years ago,
15 predominantly in the period of 1970s and 1980s when
16 the investment tax credits were allowed, the company
17 would be able to reduce its current income tax
18 payable by the dollar amount of investment tax credit
19 but it couldn't immediately record a reduction to its
20 book income statement for that impact. They had to
21 normalize the effect, and the way it did that was it
22 amortized the benefit of the investment tax credits

1 over the depreciable life of the assets giving rise
2 to the credits.

3 So what happens from a book standpoint
4 is that the amortization occurred over roughly a
5 30-year period. We are still amortizing ITCs. They
6 still have roughly ten years ago for some of the
7 vintage years, so for tax purposes, the credit was
8 taken immediately. For book purposes, it was
9 amortized over a period of roughly 30 years.

10 There's a book-to-tax timing
11 difference. It is not permanent in nature. It turns
12 around and reverses through the amortization, and as
13 it reverses, the utility reflects the amortization on
14 its books, and it reverses the impact of the deferred
15 income tax, and it's necessary for Ameren to record
16 the deferred income tax entry to properly account for
17 the fact that there is a difference between tax and
18 book from a reporting standpoint for the impact of
19 ITCs.

20 What the entry represents is the
21 difference between tax and book, the immediate tax
22 deduction versus the delayed amortization multiplied

1 by the effective tax rate, and it's similar, very
2 similar to really any other deferred income tax such
3 as tax depreciation versus book depreciation.
4 There's a timing difference. It's not permanent.
5 It's temporary in nature. It eventually turns
6 around, and because there's a timing difference,
7 accumulated deferred tax is recorded for that
8 difference.

9 Q. You may have addressed this in your
10 response, but why is the company treating the
11 unamortized ICC balance differently than the
12 associated deferred tax asset?

13 A. The Internal Revenue Code allowed the
14 utilities to adopt either a, what's referred to as an
15 option 2, which is an income statement reduction, an
16 amortization of ITCs for ratemaking or,
17 alternatively, a rate base liability. Under either
18 scenario, you would have a deferred tax asset
19 recorded.

20 Because the utility's elected option 2
21 to amortize investment tax credits and record the
22 reduction to income tax expense, the deferred tax

1 asset still is in existence, and the company
2 recognizes that as an offset to the income tax
3 expense, very similarly to if the company instead
4 elected option 1, a rate base deduction, it would
5 have reflected the deferred tax offset to that.

6 It is common practice where there is a
7 liability associated with a particular item to
8 reflect the deferred tax offset, and simply because
9 the company used option 2 rather than option 1, I
10 felt that it was important to recognize the deferred
11 tax asset as an offset.

12 The ratepayers actually benefit more
13 using the amortization approach, the option 2 the
14 company elected, versus the liability approach in the
15 rate year 2010.

16 Roughly, the impact on revenue
17 requirement is a negative approximately one million
18 to rates under the company's proposal to net the
19 deferred tax asset against amortization of IT
20 expense.

21 If, alternatively, option 1, the rate
22 base approach, was used, there would be reduction of

1 rate base of roughly 300,000 offset by the deferred
2 tax asset of a couple hundred thousand, a net
3 increase in revenue requirement versus roughly a
4 negative one million decrease.

5 So it's the symmetry of the fact that
6 the deferred tax asset is there on the books, and the
7 company elected one option versus the other for its
8 reporting of investment tax credits.

9 The option the company selected
10 actually benefits ratepayers more in 2010 than the
11 other option, and I believe it's symmetrical to
12 consider the deferred tax asset because it's directly
13 connected to the entire investment tax credit
14 recording done by the company.

15 Q. Okay. That takes care of I guess the
16 questions I had with regard to that set of DR
17 responses that were admitted. I just had one or two
18 more questions.

19 During Ms. Hathhorn's testimony, there
20 was an exhibit that was admitted, AIC Cross Exhibit
21 No. 4, which was the number of accounting entries for
22 transfer of electric assets and liabilities from

1 Docket No. 03-0657.

2 Are you familiar with that?

3 A. Yes.

4 Q. Do you have a copy?

5 A. Yes.

6 Q. In looking at I guess the first page which

7 has the actual entries, down on 190, there's

8 accumulated deferred income taxes as 17,664,689, is

9 that correct?

10 A. Correct.

11 Q. I'm trying to reconcile I guess with what

12 you have in your surrebuttal testimony at pages 18 to

13 26, line 385.

14 A. Yes. You're referring to the 17,900,030?

15 Q. Correct. There's a line there starting at

16 384, more specifically, DLH 12.01 attachment shows

17 debit entries on May 2, 2005 to Account 190 that

18 totals 179,030, and I'm trying to understand how that

19 reconciles with what was actually on the entries for

20 that May 2nd that was filed with the Commission.

21 A. Well, the source, as you indicate, the

22 source for the number on my surrebuttal is the

1 response to DLH 12.01 attachment which was a high
2 level journal entry submitted to staff in response to
3 that data request.

4 That particular entry was a visual of
5 CIPS books at that point in time. The entry
6 presented on this journal entry is actually going the
7 opposite direction. It's the transfer from Union
8 Electric to CIPS.

9 So the actual entry is in a different
10 column of the debit per credit because it reflects
11 Union Electric's transfer to CIPS on the entry while
12 the other entry is the CIPS entry.

13 With regard to specifically why
14 there's a small difference between the two, I'm not
15 sure of that. I have not investigated why there is a
16 small difference between the two. I don't know the
17 answer to that.

18 Q. As a non-accountant, I would assume that if
19 that was from either perspective, it should be the
20 same amount.

21 A. Right. I did a quick review this morning,
22 and the utility plant numbers were lining up. I did

1 see that small difference, and I do not know right
2 now what is causing that small, what I'll call
3 relatively small difference between the two.

4 MR. OLIVERO: We have no further questions,
5 Your Honor.

6 JUDGE ALBERS: Thank you.

7 We also have, given the time, could we
8 get CUB or AARP to be next, Mr. Coffman?

9 MR. COFFMAN: I could go. I have about 30
10 minutes, maybe less.

11 JUDGE ALBERS: Oh, I'm sorry. I don't think I
12 actually admitted Staff Cross Group Exhibit 3, so if
13 there's no objection, that's admitted.

14 MR. WHITT: No objection.

15 JUDGE ALBERS: All right.

16 (Whereupon Staff Cross Group
17 Exhibit 3 was admitted into
18 evidence at this time.)

19 MR. LANNON: Your Honor, that just reminded me,
20 were you going to rule on the request for
21 administrative notice also?

22 JUDGE ALBERS: I believe I did.

1 Mr. Coffman, whenever you're ready.

2 MR. COFFMAN: Good morning, Mr. Stafford. My
3 name is John Coffman. I represent AARP.

4 THE WITNESS: Good morning.

5 MR. COFFMAN: I'm going to be asking you some
6 questions related to a couple of your issues that you
7 have with the attorney general and AARP.

8 CROSS-EXAMINATION

9 BY MR. COFFMAN:

10 Q. Let me start by directing you to your
11 rebuttal testimony, page 6, line 129.

12 A. I see that.

13 Q. There in your testimony you state support
14 for the staff's downward adjustment to CWIP, and then
15 you proceed to state the staff's proposal also does
16 not require the Commission to litigate in future rate
17 proceedings whether the company's requested CWIP
18 balance should be allowed for recovery under
19 Section 9-214(e) of the Public Utilities Act which
20 authorizes the Commission to allow CWIP investment in
21 rates that will be placed in service within 12
22 months.

1 I'm trying to understand that
2 sentence.

3 Should we infer from this sentence
4 that the adjustment that AARP and AG are making to
5 reduce CWIP for related accounts payable would
6 require the Commission to litigate something?

7 A. I'm not really speaking of that per se.
8 I'm just indicating that the proposal to remove
9 double accounting is one relatively simple resolution
10 to what portion of CWIP is included in rate base.

11 I was not trying to infer that there
12 would not be a review of the underlying projects that
13 the company is including in rate base and that other
14 parties could propose adjustments. It was simply to
15 indicate that there was a simple, relatively simple
16 approach to address the overall issue.

17 Q. Okay. And you're not disputing the fact
18 that Ameren CWIP projects may include charges from
19 the vendors that have not been paid in cash because
20 the related invoices remain in accounts payable. You
21 acknowledge that, right?

22 A. Are you referring to a specific point in

1 time or specific example or are you referring to
2 hypotheticals?

3 Q. At any given time.

4 A. At any given time, there can be some
5 portion of CWIP projects that are still in accounts
6 payable.

7 Of course, our revenue requirement is
8 calculated on a specific point in time, and you would
9 have to view at that specific point in time CWIP to
10 make an adjustment as to the impact of that on
11 revenue requirement.

12 Q. I'm going to ask you to take a look at your
13 surrebuttal now, page 21, around line 450.

14 There you are disagreeing with AG/AARP
15 witness Mike Brosch. You argue that his adjustment
16 reducing CWIP for accounts payable is incorrect
17 because the payable amounts were later paid.

18 Is that a fair reading of your
19 testimony?

20 A. Well, I indicated there that the CWIP
21 amounts were fully paid, and they were fully paid, in
22 fact, prior to us even filing this formal rate

1 filing.

2 Q. But that was not in 2010, was it?

3 A. As of December 2010, it wasn't entirely
4 paid. By January 5, 2011, it was 99.84 percent paid;
5 by May 2011, a hundred percent paid.

6 Those dates were all well in advance
7 of any rate recovery the company will see from CWIP
8 in this proceeding.

9 Q. But it had not been fully funded by
10 December 31, 2010?

11 A. Correct.

12 Q. At line 458, you state that Mr. Brosch's
13 adjustment must be rejected.

14 Do you know if in Docket 10-0467 the
15 Commission ordered a reduction to CWIP in rate base
16 for associated accounts payable? That was a ComEd
17 case.

18 A. I don't know.

19 Q. Have you taken a look at the filings in
20 that case?

21 A. No, not with regard to this issue; a very
22 limited review of that docket.

1 Q. All right. I'm going to shift issues here
2 to the late payment revenue issue.

3 In your surrebuttal at around line
4 467, you assert that Mr. Brosch's proposed
5 jurisdictional treatment of late payment revenue is
6 not consistent with past Commission precedent. Is
7 that your testimony?

8 A. I indicate that it's not consistent with
9 past Commission precedent for AIC, that's correct.

10 Q. You state that the Commission has a
11 longstanding practice for AIC of only attributing
12 delivery service portion of electric revenues to
13 electric delivery service requirements, and that
14 includes electric late payment. Is that your
15 testimony?

16 A. That's correct.

17 Q. Has any party in any prior AIC rate case
18 proposed an adjustment like Mr. Brosch is proposing
19 here?

20 A. I'm not aware of one with regard to late
21 payments specifically.

22 Q. Has the company's proposed allocation of

1 late payment revenue in past cases been previously
2 challenged that you're aware of?

3 A. I don't recall any opposition to it, no.

4 Q. Have you looked at Commission orders for
5 other utilities on this issue?

6 A. I looked at Mr. Brosch's testimony where he
7 cited to the ComEd order. He provided excerpts to
8 that and responded in that portion of his testimony.

9 Q. After reading Mr. Brosch's testimony, have
10 you gone and confirmed that by reading the ComEd
11 order he referenced?

12 A. No, I did not. I had presumed what he had
13 in his testimony was verbatim correct. Perhaps I
14 should have confirmed that.

15 Q. But you were not involved or personally
16 aware of any of the issues raised in the 10-0467
17 ComEd case regarding jurisdictional treatment of late
18 payment revenues?

19 A. I'm not aware of any, no.

20 Q. You do opine in your testimony though
21 regarding what the Commission might have intended in
22 the formula rate case for ComEd, Docket No. 11-0721,

1 is that right?

2 I could direct you to line 476 where I
3 believe you state what may have been relied upon by
4 the Commission to conclude late payment revenues
5 should be more heavily attributed to the delivery
6 service revenue requirement.

7 A. Bear with me a moment. I want to look at
8 Mr. Brosch's rebuttal testimony.

9 (Pause)

10 A. I believe the quote from Mr. Brosch was to
11 the 10-0467 order that you had spoke of earlier as
12 opposed to the 10-0721 docket, so my testimony is
13 focused on the ruling and the reasons for the ruling
14 in 10-0467.

15 Q. And this is just your own speculation from
16 reading your -- it's not based on any --

17 A. I wouldn't call it speculation. The order
18 was in black and white. It was the Commission
19 conclusion, and I'm relying on the same evidence
20 presented by Mr. Brosch for his argument.

21 Q. Did you dig any further into the case
22 looking at any of the evidence in that docket?

1 A. No, I did not. I relied on what Mr. Brosch
2 relied on for his position as well I reviewed.

3 Q. I'm going to hand you an excerpt from the
4 ComEd formula rate case.

5 Have you seen the testimony of
6 Ms. Houtsma in that ComEd formula rate case?

7 A. Yes, I did see this testimony.

8 Q. In your review of precedent regarding the
9 issue that we're discussing, did you review this
10 statement by ComEd witness about how revenues were
11 treated for formula ratemaking purposes?

12 MR. WHITT: I'll object. It assumes facts not
13 in evidence insofar as it assumes there was an
14 investigation of precedent on this issue when the
15 witness testified he didn't do any investigation.

16 MR. COFFMAN: I believe the witness did say
17 that he has seen this testimony.

18 MR. WHITT: Well, that's different than an
19 investigation of precedent.

20 MR. COFFMAN: And he has opined in his
21 testimony about what might have been the Commission's
22 reasoning.

1 JUDGE ALBERS: All right. You can answer the
2 question. You'll have an opportunity for redirect.

3 THE WITNESS: Could you repeat the question,
4 please?

5 Q. BY MR. COFFMAN: Did you consider this
6 testimony when you were giving an opinion about what
7 the Commission's reasoning might have been in that?

8 A. No. As I indicated, I did not review this
9 testimony for that purpose. I reviewed the
10 information Mr. Brosch presented as the reason for
11 the decision in 10-0467, and furthermore, in my
12 specific testimony on this topic which you cited to
13 before, I spoke only of Commission precedent for AIC
14 in that section.

15 Q. Could I direct you in that excerpt from
16 Ms. Houtsma's testimony to lines 619 to 625?

17 A. I have that.

18 Q. Could you read that for the record?

19 MR. WHITT: I'll object, Your Honor. It's
20 hearsay.

21 JUDGE ALBERS: I'm going to sustain that one.

22 MR. COFFMAN: All right.

1 Q. Did you see Ms. Houtsma's testimony in
2 reference to the Commission's treatment of late
3 payment charges in the previous ComEd rate case,
4 10-0476?

5 MR. WHITT: Your Honor, I'll raise a continuing
6 objection to references for citations or quotations
7 from hearsay testimony not part of the record in this
8 proceeding.

9 MR. COFFMAN: I suppose the record is clear
10 that he did not rely on this testimony.

11 JUDGE ALBERS: Okay. Are you withdrawing the
12 question?

13 MR. COFFMAN: I'll move on.

14 JUDGE ALBERS: Okay. Very well.

15 Q. BY MR. COFFMAN: Do you have access,
16 Mr. Stafford, to the Ameren formula rate schedule APP
17 10?

18 A. Yes, I do.

19 Q. Can you check schedule APP 10 at line 1 to
20 see if you agree with me about what Ameren is
21 proposing to include as far as late payment revenues?
22 I believe it's 41.89 percent of late payments, also

1 known as forfeited discount revenues, what would be
2 Ameren's proposal for reduction to the delivery
3 service revenue requirement in this case?

4 A. I would agree with that.

5 Q. I'd like to direct you back to your
6 surrebuttal testimony on page 23, line 484. Let me
7 know if I'm reading your testimony correctly there
8 where you state, I believe the Commission's objective
9 is to not overstate the DS revenue requirement by
10 including non-DS costs such as power supplier
11 transmission costs in revenue requirement and,
12 conversely, not understate DS revenue requirement by
13 omitting the inclusion of DS cost from revenue
14 requirement deemed to be just and reasonable.

15 Did I read that correctly?

16 A. Yes, you did. Thank you.

17 Q. And I have to say, I'm still having a hard
18 time wrapping my head around this sentence, so if you
19 can help me understand what you're saying.

20 Is it your belief that Ameren's own
21 filing in this case has either overstated or
22 understated DS revenue requirement by including power

1 supply or transmission costs in the revenue
2 requirement?

3 A. No. There are no power supply or
4 transmission costs to my knowledge in the DS revenue
5 requirement.

6 Q. Is there any piece of the power supply or
7 transmission revenue requirement that Ameren is
8 seeking to include in the DS revenue requirement?

9 A. No.

10 Q. Is there any piece of the power supply or
11 transmission revenue requirement that Ameren should
12 have included in the DS revenue requirement in this
13 filing?

14 A. I'm not aware of any.

15 Q. Is the point of your testimony that Ameren
16 is entitled to keep about 58 percent of late payment
17 revenues for shareholders because doing so is fair
18 because Ameren does not fully recover some power
19 supply costs through Rider PER?

20 A. No. As I've indicated in numerous data
21 request responses, that's not my position. My
22 position is that this is a delivery service rate

1 proceeding, the purpose of which is to set delivery
2 service rates properly, and this proceeding, the
3 costs which are being included in revenue requirement
4 should be delivery service only related to the
5 distribution function.

6 The revenues reflecting revenue
7 requirement including revenue credits should be the
8 portion attributable to distribution function or the
9 delivery service function, and that's the extent of
10 this proceeding in my opinion. It's not to assess
11 whether or what should be done with costs we're not
12 currently recovering and should recover through Rider
13 PER and/or what should be done with the remaining
14 portion of the late payment revenues.

15 Q. Let me point you to line 401 in your
16 surrebuttal testimony where you refer to the smell
17 test.

18 A. Is that 401?

19 Q. Yes. I would say 499 through 401 or, I'm
20 sorry, 499 through 501.

21 A. I have that.

22 Q. Now, in suggesting that this approach

1 doesn't meet the smell test, you're not suggesting
2 that the Commission's decision in the ComEd order
3 doesn't meet the smell test, are you?

4 A. No. I indicated in my testimony that the,
5 and this is purely speculation on my part, that the
6 facts before the Commission in that proceeding I
7 presumed were different compared from the order that
8 the Commission was relying strictly on the fact that
9 all tariffs, except a small portion for ComEd, were
10 ICC jurisdictional as its basis to include virtually
11 all late payment revenues as a revenue credit, and my
12 response to that was that I agree they're ICC
13 jurisdictional, but this proceeding does not cover
14 all tariffs that are ICC jurisdictional. This
15 proceeding covers the delivery service portion of the
16 tariffs of the company only.

17 Q. Is it your belief that Mr. Brosch should
18 have included all power supply costs in the DS
19 revenue requirement?

20 A. If he's going to include late payment
21 revenue credits and revenue requirement, the only way
22 he can have a symmetrical approach is to also include

1 power supply costs to give rise to the late payment
2 revenues.

3 Q. So would that requirement only be triggered
4 if you make a change in the proposed allocation of
5 late payment revenues?

6 A. That is triggered if you include the power
7 supply portion of late payment revenue credits and
8 revenue requirement.

9 Q. Is it your testimony that any treatment of
10 late payment charges as jurisdictional above your
11 proposed 41.89 percent allocation requires dumping
12 all of AIC's transmission costs into the DS revenue
13 requirement? Is that what you're saying?

14 A. I don't understand the question. Could you
15 rephrase it?

16 Q. Any treatment of the late payment charges
17 above your 41.89 percent proposal, does that then
18 trigger the inclusion of transmission cost into the
19 DS revenue requirement?

20 A. Well, as I've indicated, a portion of the
21 late payment revenues are due to power supply,
22 transmission, and other riders and tariffs and to

1 have a symmetrical approach and include something
2 other than the delivered service portion of late
3 payment revenue credits and revenue requirement, for
4 consistency, you would have to include the associated
5 costs that give rise to those additional late payment
6 revenues over and above the 41.89 percent.

7 Q. So is that, in your mind, is that triggered
8 the moment you go above 41.89 percent at all?

9 A. I wouldn't use the term triggered. I don't
10 view it that way. The goal was to look at the late
11 payment revenues associated with delivery service and
12 the costs associated with set rates properly based on
13 that information.

14 Q. Go to the next page in your surrebuttal
15 testimony starting there at line 503 where you refer
16 to your examples of costs from rebuttal, and if you
17 would, I'd like to discuss some of these.

18 Starting with the electric power
19 supply portion of uncollectibles, you haven't
20 presented any calculation to show the Commission any
21 amount of underrecovered uncollectible expenses, have
22 you?

1 A. If I understand the question correctly, in
2 response to a data request, I calculated the amount
3 of the electric power supply portion of
4 uncollectibles.

5 Q. And that's an amount that's not been
6 recovered?

7 A. Yes. I recall providing some examples,
8 quantifying some examples of costs included in my
9 rebuttal that Mr. Brosch did not include in his
10 calculation of revenue requirement that would, in
11 part, be associated with either the cost the company
12 is not currently recovering through any rider or
13 tariff or, alternatively, the costs that would be
14 related to the power supply function or transmission
15 function for another rider.

16 Q. And when you say not currently recovering,
17 are you suggesting that Ameren would not recover
18 those costs ultimately through the uncollectible
19 rider?

20 A. I was referring, when I made that statement
21 there, I was referring to the power supply portion of
22 APIP related to uncollectibles. That piece is not

1 included in delivery service revenue requirement
2 because it's not associated with the delivery service
3 function, and the company is not currently recovering
4 that through any other rider or tariff.

5 And with regard to your earlier
6 question and response to AG 8.05 attached, I
7 quantified, as just some examples, over \$8 million of
8 capitalized and expensed costs that Mr. Brosch did
9 not include in revenue requirement that the company
10 is not collecting through delivery service rates for
11 which a portion is either not being recovered today
12 by the company through any tariff or rider or,
13 alternatively, a portion of the late payment revenue
14 credits are attributed to these dollars.

15 Q. Well, let's talk about these riders.

16 Are you familiar with Ameren's rider
17 EUA, electric uncollectibles adjustment?

18 A. Yes.

19 Q. Do you have that with you, a copy of it?

20 A. No, I do not.

21 MR. COFFMAN: Permission to approach?

22 JUDGE ALBERS: Yes.

1 Q. BY MR. COFFMAN: I'm handing you a copy of
2 what I think is AIC's rider EUA, electric
3 uncollectible adjustment.

4 A. I have that. Thank you.

5 Q. And underneath the incremental
6 uncollectible adjustment statement, I believe it says
7 incremental uncollectible adjustment amounts are
8 determined pursuant to this rider for delivery
9 service and for company power supply services. Both
10 adjustments shall be computed separately for each
11 rate zone and rate class designation as follows.

12 Do you see that?

13 A. Yes, I do.

14 Q. Has Ameren failed in the design or
15 administration of this tariff to receive full
16 recovery of all uncollectibles?

17 A. No. The company has not failed in that
18 there is a clear segregation between the delivery
19 service portion of uncollectibles and the supply
20 portion, and the company endeavored in this
21 proceeding to include the delivery service portion of
22 uncollectibles and revenue requirement, and it

1 recovers the power supply portion of the
2 uncollectibles through an adder in Rider PER,
3 ultimately, uncollectibles as fully reconciled
4 through this rider, so there is no over- or
5 underrecovery at the end of the day.

6 Q. Let me ask you about another thing you
7 mentioned in your examples at line 504. You
8 mentioned the power supply portion of ADIT related
9 uncollectibles.

10 What specific amounts of costs are
11 being underrecovered with relation to that example?

12 A. I have those from the AGA 25 attached. The
13 specific amounts that are jurisdictional or
14 nonjurisdictional, not assigned to delivery service
15 function in this proceeding, total 2,000,336,
16 2.336 million.

17 Q. And where can I find that calculation?

18 A. That calculation would be shown on the
19 Part 285 schedules at WPB 9A. That's the first
20 workpaper behind Schedule B9; specifically, line 18
21 and line 19.

22 Q. And why is it excluded?

1 A. It's excluded from the AIC's calculation of
2 delivery service revenue requirement because it is
3 not appropriate in the company's opinion to include
4 all of the ADIT related uncollectibles when it's
5 asking ratepayers to only pay for the delivery
6 service portion of uncollectibles in this proceeding.

7 Q. But how is that related to an increase in
8 late payment revenues?

9 A. That's not an example of a cost the company
10 is recovering today related to late payment, but that
11 was an example of the cost the company is not
12 recovering.

13 The earlier example of the
14 uncollectible rider UA related...

15 Q. What I'm struggling to understand is the
16 connection that you're making between that issue and
17 late payment revenues.

18 A. The testimony provided some examples of
19 costs that either the company is not recovering today
20 that are related to a nondelivery service function or
21 are being recovered today from another tariff or
22 rider but for which a portion of those dollars are

1 attributable to late payment revenues.

2 Q. Those are just examples of other issues?

3 A. I used just a few examples in testimony. I
4 didn't do a comprehensive analysis of all costs
5 Mr. Brosch would need to add back to revenue
6 requirement to have a symmetrical position.

7 Q. I'd like to show you another rider, the
8 Rider PER which I assume you're familiar with?

9 A. Yes.

10 Q. You read this before? You've seen that
11 before?

12 A. Yes.

13 Q. I believe that's a copy of AIC's rider
14 purchased electricity recovery, and is this the rider
15 that you referenced in your rebuttal and surrebuttal
16 testimonies?

17 A. Yes, I did.

18 Q. Take a look at sheet 25.004, page 4 there
19 under the heading of "Retail Purchased Electricity
20 Charges" and read the first sentence there if you
21 would.

22 A. The application of retail purchased

1 electricity charges allows the company to recover
2 from customers the cost the company incurs in
3 procuring all the component services it requires to
4 meet such customers instantaneous electric power and
5 energy requirements at any given time under the
6 company's tariffs, applicable tariffs on file with
7 the FERC and other applicable law.

8 Q. And does this tariff work as stated for
9 AIC?

10 A. I haven't done a complete analysis of this
11 tariff and whether it operates as fully intended.

12 My understanding of how it operates
13 today, it primarily recovers the cost of procuring
14 current electric power supply, essentially, the power
15 supply cost from the providers of such power.

16 There are other costs related to
17 production of power supply that aren't currently
18 being recovered through this tariff. I don't know
19 whether to address that properly requires revisiting
20 the language or applying it differently to the tariff
21 itself.

22 Q. And when you say not currently recovering,

1 you're not stating that AIC won't ultimately recover
2 those costs, are you?

3 A. I don't know. I can't say with certainty
4 one way or the other.

5 Q. Can you flip then to page 15? That would
6 be original sheet 25.015 of that Rider PER. There is
7 a section entitled "Procurement Adjustment."

8 A. Yes, I see that.

9 Q. Would you dispute that this provision
10 entitles Ameren to recover all the types of expenses
11 stated therein?

12 A. I agree with that statement.

13 Q. All direct and indirect costs, correct?

14 A. That's correct.

15 Q. If you look in the next paragraph on that
16 same page where it's captioned "Working Capital
17 Adjustment," do you dispute that this provision
18 entitles Ameren to recovery of any working capital
19 investment associated with the company supplied power
20 and energy?

21 A. No, I agree that it does allow for that
22 recovery.

1 Q. You dispute that Rider PER makes provision
2 for recovery of uncollectibles on power supply costs
3 on terms stated in that tariff?

4 A. I agree with you that that allows for
5 recovery of uncollectibles from power supply.

6 Q. On line 515 of your surrebuttal testimony,
7 you state that uncollectible expense has been reduced
8 by 13.3 million to remove the power supply portion
9 from electric DS rates.

10 Do you see that?

11 A. Yes, I do.

12 Q. Is it your testimony that AIC will fail to
13 recover \$13.3 million of expenses because of this
14 adjustment or is recovery merely being shifted into
15 the rider?

16 A. It's my testimony that the company will not
17 recover this cost from delivery service but
18 ultimately recover them primarily through Rider PER
19 or be trued up through Rider EUA.

20 Q. And this \$13.3 million adjustment is an
21 adjustment made by staff and agreed to by the
22 company, is that correct?

1 A. No. It's an adjustment the company made in
2 its direct filing.

3 Q. And that staff agreed to the company's
4 proposal?

5 A. Yes.

6 Q. And does that agreement have anything to do
7 with jurisdictional treatment of late payment
8 revenues?

9 MR. WHITT: I'm going to object or at least ask
10 for clarification on what agreement we're talking
11 about.

12 MR. COFFMAN: I withdraw the question.

13 Q. Was this adjustment made regarding
14 characterizing it as an agreement?

15 This \$13.3 million adjustment the
16 company has made, was it made with regard to any
17 recognition of late payment revenues?

18 A. Well, the adjustment was made for the
19 express purpose of including only uncollectibles
20 related to delivery service and delivery service
21 revenue requirement, and again, the company adopted
22 the exact same methodology and approach to its

1 calculation of late payment revenue credits.

2 Certainly I don't think anyone would
3 dispute that a portion of late payment revenues
4 result from power supply, and the company has clearly
5 removed all power supply and collectibles from its
6 revenue requirement in this case.

7 Q. Okay. I'm just going to ask you about a
8 couple more of these examples.

9 On line 520 of your surrebuttal
10 testimony, you reference production employee-related
11 pension and OPEB costs which have been removed from
12 electric DS operating expense in the amount of
13 \$1.7 million?

14 A. Right, that's correct. That's the expense
15 adjustment.

16 Q. And you believe that's an appropriate
17 adjustment and one that the company made in its own
18 filing?

19 A. It's appropriate to remove those costs from
20 delivery service because those costs are related to
21 the production or power supply function.

22 Q. And would this adjustment suddenly be

1 inappropriate if Ameren is not allowed to keep 58
2 percent of late payment revenues for shareholders?

3 A. No. It's appropriate to calculate delivery
4 service costs and delivery service revenue
5 requirement correctly, and so the adjustment needs to
6 be made.

7 As I've indicated, the only way you
8 can get to the right result for late payment is if
9 you treat it in this symmetrical fashion.

10 Q. Okay. Then down on line 522 of your
11 surrebuttal, you point out that over \$5.5 million of
12 production employee-related expense and OPEB costs
13 have been removed from the utility plant included in
14 the DS rate base.

15 A. Correct.

16 Q. And is this an adjustment that is
17 inappropriate if Ameren is not allowed to keep 58
18 percent of late payment revenues for shareholders?

19 MR. WHITT: I will object to the question in
20 that it assumes facts not in evidence; specifically,
21 that just because revenues aren't being credited that
22 they're somehow flowing to shareholders. That's not

1 in evidence.

2 JUDGE ALBERS: Do you want to respond?

3 Q. BY MR. COFFMAN: The adjustment there on
4 line 522 is an adjustment that the company made,
5 correct?

6 A. Correct.

7 Q. And the company proposed this adjustment
8 irrespective of late payment revenue treatment,
9 correct?

10 A. When I calculated this adjustment, I wasn't
11 thinking of late payment revenues, but I was thinking
12 about the fact that the delivery service revenue
13 requirement including any calculation of revenues or
14 revenue credits needed to be accomplished in a
15 consistent manner and by doing so, that means
16 including only the delivery service portion of such
17 cost in the calculation.

18 Q. And so if the Commission decides to adopt
19 the AG/AARP proposal for 100 percent recognition of
20 late payment revenues, then that adjustment on
21 employment-related pension and OPEB costs would
22 suddenly be inappropriate? Is that what you're

1 trying to tell us?

2 A. I'm trying to say that the proposals need
3 to be symmetrical, and the same, the revenue
4 requirement should either be based on delivery
5 service or not.

6 My understanding is it should be based
7 on delivery service which therefore means that the
8 adjustment should be made, and similarly, the late
9 payment revenue credit should be handled in a
10 consistent manner.

11 Q. Okay. I'll just ask you about one more
12 example, and that's down on line 525.

13 The \$871,000 adjustment for electric
14 power supply procurement costs that were removed from
15 the electric DS rates, again, that's an adjustment
16 that Ameren made in its own filing, correct?

17 A. Correct.

18 Q. And in determining that adjustment, you
19 were not considering late payment revenues as part of
20 the decision about making this particular adjustment,
21 correct? It was made independent of that issue?

22 A. As I said, the adjustments, calculations,

1 have to be considered collectively. Individually, at
2 the time I was making this adjustment, I was focused
3 on just making that adjustment at that point in time.

4 Q. What was the rationale that went into that
5 adjustment? Why was that adjustment made?

6 A. The adjustment was made to remove the power
7 supply related cost from calculation of delivery
8 service revenue requirement.

9 Q. Because they'll be recovered elsewhere?

10 A. Those costs, these specific costs are
11 recovered through Rider PER as one of the adjustments
12 referred to earlier, the procurement adjustment.

13 Q. Does that fact that forms the basis for
14 that adjustment change if the Commission allows
15 something other than 41 percent recovery of late
16 payment revenues?

17 A. Well, that fact supports my position that a
18 portion of the late payment revenues are associated
19 with recovery of procurement costs through Rider PER,
20 and therefore, the calculation of late payment
21 revenue credits includes something other than just
22 purely delivery service cost recovery.

1 Q. Okay. Two more questions.

2 Let me refer you to page 25 of your
3 surrebuttal, line 537. There you refer to the costs
4 giving rise to late payment revenues.

5 What specifically are those alleged
6 costs that give rise to late payment revenues?

7 A. Well, the sentence here refers to the over
8 50 percent of costs that Mr. Brosch is not including
9 in revenue requirement that give rise, and the
10 biggest single examples of that would be power supply
11 costs recovered through Rider PER or additional
12 adjustments you referred to earlier from Rider PER,
13 Rider TS costs of being an example transmission. We
14 have other rider-related tariffs and the add-on
15 taxes. In fact, the App 7 for example lists a number
16 of very large adjustments to reduce revenue
17 requirement for various riders such as energy
18 efficiency and environmental coal tar riders.

19 Q. So of all these costs giving rise to late
20 payment revenues, have they been itemized by you or
21 by anyone else in the record here in this case?

22 A. Some costs are itemized simply by the fact

1 that you can see them actually being removed from
2 revenue requirement. I don't know if every single
3 cost has been itemized.

4 Q. Is there anywhere in the record that the
5 Commission could find these costs you reference
6 quantified in some manner?

7 A. As I indicated, a number of adjustments can
8 be found on Ameren Exhibit 13.1 at various locations.

9 I believe that another example is AG
10 8.05. I thought that was in the record as a data
11 request. I quantify specifically some of those items
12 directly in that data request response.

13 There hasn't been an effort to do a
14 full analysis of every omission by Mr. Brosch in his
15 proposal regarding consistency with late payment
16 revenue credits.

17 Q. Okay. One more thing that I'm confused
18 about and maybe you can help me with this.

19 Line 544, you mentioned Ameren's
20 proposal to keep 58 percent of late payment revenues
21 for now and modify Rider PER at some date in the
22 future.

1 Is that a fair reading of your
2 testimony?

3 MR. WHITT: I'll object to the form of that
4 question in terms of Ameren's proposal to keep
5 revenue for shareholders. That's not part of any
6 proposal the company has made.

7 JUDGE ALBERS: Can you rephrase the question?

8 Q. BY MR. COFFMAN: Would it be fair to say
9 that you are proposing that 58 percent of late
10 payment revenues not be recognized in this proceeding
11 in relationship to some modification of Rider PER at
12 a future date?

13 A. That's close but not quite correct. My
14 proposal is to include 41.89 percent of revenues as a
15 credit to revenue requirement in this proceeding, and
16 I've made an offer to address the power supply
17 portion of late payment revenue credits in a later
18 filing.

19 The vast majority of the difference
20 between a hundred percent and 41.89 is due to power
21 supply.

22 Q. You understand that the Commission cannot

1 modify Rider PER in this proceeding, correct?

2 A. I don't know if the Commission has the
3 ability to do that in this proceeding or not. I
4 presume not since this is a delivery service
5 proceeding but I can't speak directly for what the
6 Commission can or cannot do.

7 Q. And neither you nor Ms. Hathhorn have the
8 ability to decide what a commission might do in a
9 future case in this case, do you?

10 A. Correct.

11 MR. COFFMAN: I think that's all that I have.

12 JUDGE ALBERS: All right. Thank you.

13 I realize there's still a few more
14 parties to have questions for our witness, but given
15 the time, why don't we go ahead and break for lunch.

16 MR. KENNEDY: It's my understanding that
17 there's only 20 minutes left for the AG and then CUB
18 has waived.

19 JUDGE ALBERS: Okay. Why don't we meet back
20 here around 1:30 then.

21 (Whereupon the lunch recess was
22 taken at this time.)

1 AFTERNOON SESSION

2 (Whereupon the proceedings were
3 hereinafter stenographically
4 reported by Carla J. Boehl.)

5 JUDGE ALBERS: Back on the record. We will
6 resume the cross examination of Mr. Stafford, and I
7 understand that the only party left is the Attorney
8 General. Whenever you are ready.

9 CROSS EXAMINATION

10 BY MS. YU:

11 Q. Good afternoon. My name is Cathy Yu from
12 the AG's Office, and I have a couple of questions for
13 you.

14 A. Good afternoon.

15 Q. To start, please refer to page 24 of your
16 rebuttal testimony.

17 A. I have that.

18 Q. Okay. So on page 24, at line 502 and
19 onward, you discuss how the investment tax credit
20 amortization expense was treated in Docket 11-0282.
21 And was the Account 190 ADIT asset also included in
22 the Company's rate base in that case?

1 A. No, it was not.

2 Q. Okay. And then I am going to have you flip
3 to your surrebuttal testimony, page 16.

4 A. I have that.

5 Q. Kind of towards the middle of the page
6 where you discuss Ameren and ComEd's handling of an
7 investment tax credit in Docket 11-0271, at lines in
8 the middle 340 and 341, you say that the Company is
9 foregoing in this present proceeding the increase in
10 income tax expense for permanent tax differences, is
11 that correct?

12 A. That's correct.

13 Q. And in Docket 11-0271 is it correct that
14 the permanent tax differences reduced the income tax
15 expense calculated by ComEd?

16 A. I don't know.

17 Q. Okay. I have here from -- this is from --
18 what Karen is going to pass out is from Docket
19 11-0721 and as she is doing that, it is exhibit,
20 ComEd Exhibit 13.1, Schedule FRC-4. And are you
21 familiar with this schedule?

22 A. I have seen this schedule before.

1 Q. If you look at the line numbers 10 and 11,
2 10 says permanent tax differences and 11 says other
3 tax adjustments. Do these lines show on the schedule
4 a deduction of the permanent tax differences from the
5 income tax expense?

6 MR. WHITT: Objection, hearsay.

7 MS. YU: I am asking him what he sees on the
8 exhibit in front of him.

9 MR. WHITT: That's why it is hearsay. It is
10 not his calculation, his exhibit. He said he has
11 seen it before; I don't believe that lays a
12 sufficient foundation for him to know what these
13 numbers necessarily are, who derived them and how
14 they were derived.

15 MS. YU: He claims in his testimony that the
16 ComEd treatment of the investment tax credit is
17 distinguishable from Ameren's. So this is something
18 that he has reviewed, is familiar with.

19 JUDGE ALBERS: You are just asking him what the
20 exhibit purports as opposed to whether or not it is
21 accurate?

22 MS. YU: Right, so.

1 JUDGE ALBERS: Okay. I will allow the
2 question.

3 BY MS. YU:

4 Q. I will repeat that. In lines 10 and 11 on
5 the exhibit in front of you, do these lines show a
6 deduction of the permanent tax differences from the
7 income tax expense?

8 A. I see a reduction of permanent tax
9 differences of 382,000 on this schedule.

10 Q. Okay. And now I am going to have you go
11 back to your rebuttal testimony, page 26.

12 JUDGE ALBERS: Just for identification purposes
13 would you identify that?

14 MS. YU: Yeah. So I guess it would be AG Cross
15 Exhibit Number 5, I believe we are on.

16 JUDGE ALBERS: Five, yeah.

17 (Whereupon AG Cross Exhibit 5
18 was marked for purposes of
19 identification as of this date.)

20 BY MS. YU:

21 Q. So that's page 26 of your rebuttal
22 testimony. At the end, starting with line 537, you

1 address the book value of the assets depreciation
2 reserve and ADIT as they were on Union Electric's
3 records prior to the sale. Prior to the transfer the
4 net rate base value to Union Electric was plant minus
5 depreciation reserve minus the related ADIT, is that
6 correct?

7 A. Are you referring to a specific line?

8 Q. No, that was just where you were discussing
9 the book value of the assets, etcetera.

10 A. Well, I indicate that the transfer was made
11 at book value.

12 Q. I am sorry, I didn't hear that.

13 A. I indicated that the transfer was made at
14 book value.

15 Q. Okay. And do you know prior to the
16 transfer the net rate base value to Union Electric,
17 whether that was plant minus depreciation reserve
18 minus the related ADIT?

19 A. I believe that is correct. There would be
20 other adjustments, I presume, from the rate base
21 calculation.

22 Q. Right, okay. And is it true that the

1 Account 190 ADIT asset related to the tax
2 depreciation step-up basis metro in effect offsets
3 the ADIT on the transfer assets?

4 A. It offsets the ADIT that was on UE's books
5 related to the transfer of assets. As a result of
6 the transfer being done at book value and tax basis
7 being reset to book basis, there was no carryover or
8 ADIT to CIPS at that time. Instead, CIPS would have
9 begun tax depreciating the full book value of those
10 assets at standard tax depreciation rates.

11 Q. Okay. Well, by including 190 ADIT asset in
12 rate base, the net rate base value of the assets does
13 not include any net reduction to the rate base for
14 the ADIT that existed at the time of the transfer, is
15 that your understanding?

16 A. There is no reduction for ADIT at the time
17 of the transfer. There is a continued reduction for
18 Account 282 ADIT for the period after the transfer.
19 As I indicated, tax depreciation began over on its
20 assets at the time of the transfer, so there would be
21 a substantial of balance of ADIT on the books of
22 Ameren Illinois today. Because that transfer

1 occurred in 2005, we would now have seven years of
2 tax versus book depreciation on those assets. That
3 difference would be reflected as a reduction to rate
4 base.

5 Q. Okay, thank you. Okay, and I am going to
6 -- I have here what's already been marked as AG Cross
7 Exhibit 2 and I think everybody at the table has a
8 copy of it, so I am going to give this to
9 Mr. Stafford. So this is the attachment to the Staff
10 data request DLH-12.01 and, like I said, this is AG
11 Cross Exhibit 2.

12 And if you look at the exhibit,
13 towards the bottom half there is a box for some of
14 the entries. And if you look at the first two lines,
15 are those the charges to Account 190 as you see on
16 the exhibit?

17 A. I see two charges to 190 and I see one
18 additional charge to 190 in the second entry.

19 Q. And then below the first two charges are
20 entries to Account 411. And what is Account 411?

21 A. It's a -- if I recall correctly, it is a
22 deferred tax expense account.

1 Q. Okay. And are the first two lines in the
2 box for Account 190 as seen on the exhibit precisely
3 offset by the entries to Account 411 with regard to
4 the fourth line?

5 A. Yes, they are.

6 Q. Okay. I've got a couple more questions.
7 Would you flip to page 20 of your rebuttal
8 testimony -- I am sorry, 21. At line 432 to the end
9 of the page you note that the intervenor's proposals
10 to recognize the ADIT on pro forma plant additions do
11 not reflect potential changes to other rate base
12 items to reflect 2011 or 2012 amounts. Is that
13 correct?

14 A. I see that.

15 Q. And, Mr. Stafford, are you also a witness
16 in ICC Docket 12-0293?

17 A. Yes.

18 Q. I am going to -- Ms. Lusson is going to
19 hand you two pieces that I am going to mark as AG
20 Cross Exhibits 6 and 7.

21 JUDGE YODER: Let's go off the record one
22 second.

1 (Whereupon there was then had an
2 off-the-record discussion.)
3 (Whereupon AG Cross Exhibits 6
4 and 7 were admitted into
5 evidence.)

6 JUDGE ALBERS: Could you identify which is
7 which, please?

8 BY MS. YU:

9 Q. Yes, I'll try and do that now. AG Cross
10 Exhibit 6 is the one that says at the top right-hand
11 corner Ameren Exhibit 13.1 and it says page 7 of 34,
12 and that is Schedule FR E-1 from the present case, so
13 12-0001. And then as we discussed with your witness
14 as well in 12-0293, AG Cross Exhibit 7, the one that
15 says Ameren Exhibit 1.1 in the top right-hand corner,
16 that is the same schedule but for Docket 12-0293.

17 And if you look at AG Cross 7, and
18 again that's the exhibit for Docket 12-0293, can you
19 read on the second page there what the actual rate
20 base was before projected plant adjustments?

21 A. Are you referring to line 12 specifically
22 or another line?

1 Q. Yeah. I am sorry. I am referring to line
2 36 on the second page.

3 A. Line 36, the amount is 1,967,520,000.

4 Q. Thank you. And on AG Cross Exhibit 6, so
5 the other exhibit that I passed out, if you look at
6 line 42 can you read out loud the number there?

7 A. Okay. I should just clarify, you are
8 asking me to read line 42 from this exhibit, line 36
9 from the other exhibit?

10 Q. Yes.

11 A. Okay. Line 42 from AG Cross Exhibit 6 is
12 2,166,115,000.

13 Q. And do you understand line 42 to be the
14 Company's pro forma rate base in this present docket?

15 A. It does not -- yes, I stand corrected. It
16 is the amount of rate base in this present docket.

17 Q. And actually let me go back; I am not sure
18 if I was completely clear.

19 Line 36, do you understand that to be
20 the actual rate base as of December 31, 2011?

21 A. That is the actual DS rate base for
22 projected plant additions in the Docket 12-0293.

1 Q. Okay, thank you. And that is -- the actual
2 DS rate base before projected plant additions
3 adjustments is, subject to check, 198.6 million less
4 than the Company's pro forma rate base in the present
5 docket which was that line 42 number, is that
6 correct?

7 A. That is correct. I mean, the one number is
8 the four projected additions, the other half of
9 projected additions. Yes, I agree with your
10 statement with that qualification.

11 Q. Okay. Well, if you look at -- I am going
12 to refer to this by number, AG Cross Exhibit 7 again
13 so that's the one in the 12-0293. If you look at
14 that line 42, is it correct that that's the 2012
15 projected plant additions?

16 A. Line 42 would include the 2011 actual plus
17 2012 projected additions.

18 Q. Right, sorry, that's what I meant to say.
19 You said it better.

20 And if you compare that with line 42
21 in the AG Cross Exhibit 6, is it true that that is
22 still 123.7 million less than the Company's pro forma

1 rate base in the present docket?

2 A. Yes.

3 Q. Switching gears a little bit, do you agree
4 that the approved liability for vacation pay as of
5 any point in time represents accumulative excess of
6 vacation pay costs recorded over the accumulative
7 amount paid out?

8 A. Could you repeat that question, please?

9 Q. Yes. I am going to try to say it more
10 clearly.

11 Would you agree that the accrued
12 liability for vacation pay as of any point of time,
13 that that represents the accumulative excess of
14 vacation pay costs recorded over the accumulative
15 amount paid out?

16 A. Well, I partially agree. I would say that
17 at a point in time it is the accumulated amount
18 recorded on the Company's books, at a point in time.

19 Q. I am sorry, could you repeat that?

20 A. At any point in time approved vacation pay
21 liability is the amount recorded on the Company's
22 books at that point in time.

1 Q. And on the same topic of vacation pay,
2 would you agree that with respect to vacation pay
3 that in a given year, as vacation pay is accrued,
4 previously earned vacation pay is also being paid
5 out?

6 A. That is correct. At any point in time
7 amounts are being accrued and prior amounts are being
8 paid out. The turnover is one year, one year or less
9 on vacation pay.

10 Q. Okay. And then would you also agree that
11 when vacation pay liability was initially established
12 that it was necessary to include in the income
13 statement the full vacation pay expense in that year?

14 A. In the income statement?

15 Q. Yes. So when it was initially established,
16 you know, whether it was -- that it was necessary to
17 include in the income statement the full vacation pay
18 expense?

19 MR. WHITT: I think I need to object. I am
20 just not sure what we mean by initially established,
21 what is being initially established.

22 JUDGE ALBERS: It might help if you clarify

1 that.

2 Q. I think we mean when the vacation pay
3 liability was initially set. Is that clear to you?

4 MR. WHITT: It is not clear to me. Perhaps it
5 is to the witness, but.

6 A. Well, I would say that I wasn't involved in
7 initially establishing the vacation pay, so I can't
8 speak to the entries for that.

9 Q. Okay, that's fine. Is it also correct that
10 the increment to the vacation pay liability 2010
11 represents an excess of vacation pay costs accrued in
12 2010 over vacation pay actually paid out that year?

13 A. It would be the increment for accrued
14 vacation pay for the current year plus amounts paid
15 out and plus any other adjustments that may have been
16 made to the accrued vacation pay. For example, one
17 of those adjustments would be if an employee left
18 before they were entitled to payment, then that
19 amount would be effectively written off as no longer
20 a liability.

21 Q. Okay. And just lastly, would you also
22 agree that the accrued liability for vacation pay as

1 of any point in time represents the -- well,
2 represents the accumulative excess of vacation pay
3 costs recorded over the accumulative amount paid out?

4 A. I wouldn't entirely agree with that. I
5 qualified the prior answer with a similar question.
6 I would say it just represents the accumulated
7 liability on the Company's books at that point in
8 time.

9 MS. YU: Okay. No further questions at this
10 time. Thank you, Mr. Stafford.

11 Oh, sorry, I would like to move for
12 the admission of AG Cross Exhibits 5, 6 and 7.

13 JUDGE ALBERS: Any objection?

14 MR. WHITT: Your Honor, I do have an objection
15 to AG Cross Exhibit 5 on the basis of hearsay. No
16 objection to 6 or 7.

17 JUDGE ALBERS: Ms. Yu?

18 MS. YU: I am sorry, that was the objection
19 to --

20 JUDGE ALBERS: Number 5 on the basis of
21 hearsay.

22 MS. YU: Number 5. Yeah, I mean, again, you

1 know, Mr. Stafford opened the door to this in his
2 testimony.

3 JUDGE ALBERS: Well, you are not -- for my own
4 clarification, you know, earlier you weren't asking
5 this with regard to the accuracy of the numbers in
6 here, were you? Or just what they or how they are
7 treated?

8 MS. YU: What they stated, and the exhibit is
9 being offered for impeachment purposes. You know, I
10 questioned him as to what the document in front of
11 him stated.

12 JUDGE ALBERS: I am going to overrule the
13 objection and admit AG Cross Exhibits 5, 6 and 7.

14 (Whereupon AG Cross Exhibits 5,
15 6 and 7 were admitted into
16 evidence.)

17 MR. KENNEDY: Did Your Honors have any
18 questions for Mr. Stafford?

19 JUDGE ALBERS: I do.

20 EXAMINATION

21 BY JUDGE ALBERS:

22 Q. Just to help us understand a little more

1 what's going on with regard to the vacation pay
2 payroll expense, you are familiar with the accounting
3 entries necessary to record AIC's vacation accruals,
4 correct?

5 A. Yes.

6 Q. And when does AIC make those accruals?

7 A. For vacation pay?

8 Q. Yes.

9 A. The initial accrual is made in January of a
10 given year based upon vacation pay earned in the
11 prior year, and then that is amortized off over the
12 course of the year, because those employees that earn
13 the vacation will take vacation over the course of
14 the following calendar year. It is too difficult to
15 administer or to align that accrual with every single
16 employee. Instead, it is done through basically an
17 amortization. To the extent there is no need for a
18 true-up for that due to the fact an employee is
19 leaving and not actually being entitled to that, that
20 doesn't happen too often, then that would be an
21 adjustment.

22 Q. Okay. When a journal entry is made to

1 record a vacation pay accrual in January, what
2 specific accounts are debited and credited in that
3 journal entry, if you recall?

4 A. Yes. The debit would be to Account 190 A
5 and G Labor Expense, and the credit is to, I believe
6 it is, 242. It is 242 account which is a current
7 liability on the Company's balance sheet, and it is a
8 current liability because it is due and payable
9 within one year.

10 Q. So the account that is debited then in the
11 journal entries to record vacation pay accrual,
12 Account 190, is that account included in AIC's
13 determination of its overall revenue requirement in
14 this proceeding?

15 A. Yes. There would be accruals. It is
16 Account 920 and then there would be offsetting
17 entries for the amortization of prior accruals
18 against that account.

19 Q. Did you say 190 earlier?

20 A. Account 920? I am sorry.

21 Q. I thought I heard you say Account 190
22 earlier, I apologize.

1 A. For this item, it is a debit to Account 920
2 which is A and G Labor Expense and a credit to
3 Account 242 which is a current accrued liability, and
4 then there is entries made each month during the year
5 to lower that 920 accrual so there is offsetting
6 entries. Over the course of the year, all other
7 things being equal, the Account 920 balance would go
8 up slightly due to the fact that, assuming you had a
9 constant work force, salary wages increase, you would
10 see a slight increase overall in that account over
11 the course of the year. It goes up initially and
12 then it is amortized off throughout the year.

13 Q. Is the vacation pay accrual expense net
14 account also included in AIC's determination of its
15 overall revenue requirement -- wait a minute, strike
16 that.

17 Has the accrual expense been removed
18 by another adjustment for purposes of this
19 proceeding?

20 A. No. It's a component of labor expense for
21 the Company. Now, employees are entitled to a
22 portion of their overall labor expense, be it

1 vacation-related, and that portion of their labor
2 expense is recorded -- the vacation portion is
3 recorded as labor expense. The increment associated
4 with the vacation accrual for the current year is
5 reflected in the cash working capital calculation as
6 a reduction to that calculation through the payroll
7 expense lead, specifically.

8 JUDGE ALBERS: All right. Thank you, Mr.
9 Stafford. Did you have any redirect?

10 MR. WHITT: Could we take a very short break,
11 about two minutes?

12 JUDGE ALBERS: Okay.

13 (Whereupon the hearing was in a
14 short recess.)

15 JUDGE ALBERS: Back on the record.

16 MR. WHITT: Your Honor, I just have one area of
17 redirect.

18 REDIRECT EXAMINATION

19 BY MR. WHITT:

20 Q. Mr. Stafford, could you refer to Exhibit
21 13.4, page 7 of 7? Do you have that in front of you?

22 A. Yes, I do.

1 Q. And do you recall being asked a series of
2 questions by Mr. Lannon where you went through
3 various parts of the chart and did various
4 calculations and allocations and so forth?

5 A. Yes, I do.

6 Q. And can you recite all of those back to us
7 verbatim?

8 A. No, I cannot.

9 Q. I will withdraw that question. What I want
10 to ask you is in particular with respect to some
11 questions you were asked about allocations, what I
12 would like to know is whether the allocation
13 methodologies that you used were the same for the
14 years reflected in Exhibit 13.4, page 7 of 7, those
15 years being 2004 through 2008?

16 A. No. As I footnoted on the schedule, I used
17 different allocation methodologies. The primary one
18 that was discussed before was the year 2005 which
19 there was \$76 million of dividends. And my
20 allocation method there was to assign the
21 first-quarter dividends of 20 million to 2004 net
22 income. And the reason for that was that I knew that

1 dividend was paid on 2004 earnings, and I also knew
2 that the purchase accounting net income earnings were
3 sufficient to cover that dividend, non-purchase
4 account earnings were not. And then beyond that most
5 of the additional discussion was how do we take that
6 remaining 56 million and reapportion that.

7 And I used an apportionate method
8 there because there was 94 million of net income in
9 common that year which far exceeded the amount of
10 dividends. So I could see for 2005 that use of net
11 income for that year was representative in my opinion
12 of how to properly apportion the dividends between
13 purchase accounting and non-purchase accounting.

14 However, in 2007 and 8 the
15 circumstances were quite different. There were 61
16 million of dividends in 2007 but only 23 million of
17 net income that year, far below the amount of
18 dividends. And the next year, 2008, was even more
19 difference, a bigger difference, 60 million of
20 dividends compared to less than 3 million of net
21 income. Apportionment of 61 and 60 million of
22 dividends to an amount less than that amount for net

1 income made no sense. And so I looked at the
2 balance, accumulated balance, of purchase accounting,
3 dividend adjusted purchase accounting net income
4 through 2006 and dividend adjusted non-purchase
5 accounting net income through 2006. The amount in
6 purchase accounting was sufficient to cover the full
7 dividends for 2007 but the non-purchase accounting
8 was not. So I assigned the entire dividend to
9 purchase accounting in that year. And again in 2008
10 non-purchase accounting net income was actually
11 negative, not positive. So I made the decision to
12 allocate the dividend for 2008 first to purchase
13 accounting with the remainder assigned to
14 non-purchase accounting.

15 So in summary, my methodology was
16 dictated by the facts, the information I was looking
17 at at that time for each year.

18 Q. What was your overarching purpose in
19 selecting the methodologies that you did based on the
20 circumstances before you? What were you trying to
21 accomplish?

22 A. Well, my purpose was to properly allocate

1 and/or assign as best as I could, based upon the
2 information I was looking at, the dividends between
3 purchase accounting and non-purchase accounting.

4 MR. WHITT: I have no further questions.

5 JUDGE ALBERS: Any recross?

6 MR. LANNON: None from me, Your Honor.

7 JUDGE ALBERS: Anyone else?

8 (No response.)

9 All right. Is there any objection
10 then to the admission of the previously identified
11 exhibits of Mr. Stafford?

12 (No response.)

13 Hearing none, then they are admitted
14 as they are on e-Docket.

15 (Whereupon AIC Exhibits 2.0R,
16 2.1, 2.2R, 2.3, 2.4, 2.5, 2.6,
17 13.0, 13.1, 13.2, 13.3, 13.4,
18 13.5, 23.0R, 23.1 and 23.2 were
19 admitted into evidence.)

20 JUDGE ALBERS: Off the record.

21 (Whereupon there was then had an
22 off-the-record discussion.)

1 JUDGE YODER: Ms. Phipps, were you previously
2 sworn?

3 THE WITNESS: No, I was not.

4 JUDGE YODER: Is there anyone else in the
5 courtroom who is going to testify today? I can swear
6 them all in at once.

7 (Whereupon the witness was duly
8 sworn by Judge Yoder.)

9 ROCHELLE PHIPPS

10 called as a witness on behalf of Staff of the
11 Illinois Commerce Commission, having been first duly
12 sworn, was examined and testified as follows:

13 DIRECT EXAMINATION

14 BY MS. LUCKEY:

15 Q. Good afternoon, Ms. Phipps. Can you please
16 state your name for the record.

17 A. Yes, my name is Rochelle Phipps,
18 R-O-C-H-E-L-L-E, P-H-I-P-P-S.

19 Q. And by whom are you employed?

20 A. I am employed by the Illinois Commerce
21 Commission.

22 Q. Ms. Phipps, do you have in front of you

1 what has been previously filed on e-Docket as the
2 Direct Testimony of Rochelle Phipps, ICC Staff
3 Exhibit 7.0 dated April 12, 2012, which consists of a
4 cover page, a table of contents, 13 pages of
5 narrative text and Schedules 7.01 through 7.07?

6 A. Yes, I do.

7 Q. Was ICC Staff Exhibit 7 prepared by you or
8 under your direction, supervision and control?

9 A. Yes, it was.

10 Q. Do you have any additions, deletions or
11 modifications to make to ICC Staff Exhibit 7.0?

12 A. No, I do not.

13 Q. If I were to ask you today the same series
14 of questions set forth in that document, would your
15 answers be the same?

16 A. Yes, they would.

17 Q. Ms. Phipps, do you also have in front of
18 you what has been previously filed on e-Docket as the
19 Rebuttal Testimony of Rochelle Phipps which has been
20 marked for identification as ICC Staff Exhibit 16.0
21 dated June 5, 2012, which consists of a cover page, a
22 table of contents, 19 pages of narrative text and

1 Schedules 16.01 through 16.09?

2 A. Yes, I do.

3 Q. Ms. Phipps, was your rebuttal testimony
4 prepared by you or under your direction, supervision
5 and control?

6 A. Yes, it was.

7 Q. Do you have any additions, deletions or
8 modifications to make to that narrative testimony or
9 the accompanying schedules?

10 A. No, I do not.

11 Q. If I were to ask you today the same series
12 of questions set forth in those documents, would your
13 answers be the same?

14 A. Yes, they would.

15 MS. LUCKEY: At this time Staff would move to
16 admit into evidence the Direct Testimony of Rochelle
17 Phipps, ICC Staff Exhibit 7.0, and its previously
18 described schedules, and the Rebuttal Testimony of
19 Rochelle Phipps, ICC Staff Exhibit 16.0, along with
20 its previously described schedule, and Staff would
21 tender the witness for cross examination.

22 JUDGE YODER: We will discuss the admissibility

1 of those documents after cross examination. I
2 believe Ameren reserved cross.

3 MR. TOMC: Yes, Your Honor, the Company would
4 have some cross examination questions.

5 JUDGE YODER: Very good.

6 MR. TOMC: Before I begin, I noted that
7 Mr. Lannon is not in the hearing room today.
8 Mr. Lannon, would you like me to send you some of the
9 documents that I may refer to during the testimony or
10 would that be okay with you?

11 MR. LANNON: Matt, if you have them ready to
12 go, that's fine. Otherwise, I don't think it is
13 necessary as long as Jim and Nicole have them.

14 MR. TOMC: Okay. Well, I did go ahead and send
15 some to you right before we started. So there are
16 documents there. I don't have them marked yet, so if
17 you have any questions feel free to stop me and we
18 will get it squared away.

19 MR. LANNON: I have got it here. Thank you,
20 Matt.

21

22

1 CROSS EXAMINATION

2 BY MR. TOMC:

3 Q. Good afternoon, Ms. Phipps.

4 A. Good afternoon.

5 Q. My name is Matt Tomc and I will be asking
6 you a few questions about your testimony today.
7 Primarily -- well, I can tell you I do have some good
8 news; there will no tax-related questions for at
9 least the next hour. Unfortunately, there will be
10 some somewhat accounting-related questions so do bear
11 with me.

12 I guess I would start just to inquire
13 as to the general scope and context of the testimony
14 that you have offered in this proceeding. As a
15 general matter, the purpose of this docket, as I
16 understand it, is for review and approval of the
17 formula rate tariffs filed by Ameren Illinois
18 pursuant to Section 16-108.5 of the Act. Would you
19 agree with that general characterization?

20 A. Yes.

21 Q. Okay. And did you review that section of
22 the law before you prepared your testimony in this

1 case?

2 A. I read the law and I specifically reviewed
3 in preparing my case, 16-108.5(c) and 16-108.5(b).

4 Q. Thank you. For the ease of communications
5 would it be okay if I just referred to that statute
6 generally as 108.5?

7 A. Sure.

8 Q. Thank you. Now, your expertise for the
9 Commission Staff is in the area of utility finances,
10 is that correct?

11 A. That's correct.

12 Q. And you are not a CPA or an accountant by
13 trade, is that true?

14 A. That's true.

15 Q. You are also not an attorney or a lawyer?

16 A. That's true.

17 Q. But you do have familiarity with financial
18 accounting and regulatory accounting principles, is
19 that fair to say?

20 A. My area of expertise is in finance. I
21 consult the Uniform System of Accounts occasionally
22 with respect to my testimony. I would not say that I

1 am an accounting expert.

2 Q. Fair enough. And while you are not a
3 lawyer, you do have some familiarity with the
4 Illinois Public Utilities Act at least so far as it
5 pertains to finance-related matters?

6 A. Yes, I review the finance-related portions
7 of the Public Utilities Act.

8 Q. Now, the scope of review -- the scope of
9 your review that resulted in your testimony in this
10 proceeding, as I understand it you looked into the
11 reasonableness and prudence of debt issuances,
12 debt-related issues and capital structure matters as
13 they are contained in the formula rate proposal. Is
14 that an accurate characterization of the scope of
15 your review?

16 A. Well, I reviewed the capital structure for
17 Ameren Illinois Company. I measured the various
18 components of the capital structure, made
19 recommendations on how they should be measured and
20 how they should be adjusted if necessary for
21 ratemaking purposes.

22 Q. And as part of your analysis did you

1 consider the incremental investment requirements that
2 are imposed by 108.5 on Ameren Illinois?

3 A. No.

4 Q. Would it be fair to say that then you did
5 not conduct any financial analysis to determine if
6 Staff's proposed adjustments would have any impact on
7 Ameren Illinois' ability to finance the incremental
8 investments required?

9 A. That is correct.

10 Q. I am going to ask you about your position
11 in your testimony concerning average capital
12 structure. Specifically, I would refer you to your
13 arguments that begin on page 2 of your rebuttal
14 testimony. In the arguments that begin on this page,
15 as I understand it, you propose to use an average
16 capital structure to reduce potential manipulation of
17 the capital structure by the Company, is that right?

18 A. Well, that's one of the reasons I propose
19 an average capital structure. First of all, an
20 average capital structure is less sensitive to
21 manipulation when capital structure is measured on a
22 single day, as you said. But also because that would

1 produce a more accurate calculation for the earned
2 ROE which is part of the formula rate law as well.

3 Q. Okay. Now, in your testimony if you would
4 refer to page 4?

5 A. Of my rebuttal testimony?

6 Q. Your rebuttal testimony, that's correct.
7 You have a demonstrative table, and the numbers, of
8 course, in this table do not bear any relation to the
9 facts at issue in this case, is that correct?

10 A. That is correct. This is just an
11 illustration.

12 Q. And this Table 1, this Table 1 shown on
13 page 4, that shows basically a contrast between the
14 Company's methodology and Staff's methodology where
15 no financing event occurred, is that the intent here?

16 A. This is to show that, if the monthly
17 average amounts do not change over the course of a
18 year, then using an average capital structure would
19 produce the same results as using a capital structure
20 measured as of the last date.

21 Q. And then on Table 2 again you show another
22 illustration, and in this illustration of the two

1 methodologies this table illustrates a departure of
2 the methodologies used by the Company and Staff, is
3 that correct?

4 A. Yes. This shows that essentially if \$100
5 million of short-term debt was replaced with
6 long-term debt at the end of the calendar year, then
7 the Company's methodology would produce a higher
8 common -- or I am sorry, a higher total debt ratio
9 than the average methodology even though the dollars
10 have not changed.

11 Q. Now, if I could refer you to your table to
12 the Company methodology, that would show what the
13 Company has proposed to do which is use end-of-year
14 actual numbers as reported in FERC Form 1, is that
15 right?

16 A. No. This only shows that -- it reflects
17 the Company's methodology as far as it calculates an
18 average short-term debt balance and then uses the
19 end-of-the-year long-term debt and common equity
20 balances which is analogous to what the Company does.

21 Q. In your table, on the bottom of half of
22 your table where you show Staff methodology and

1 Company methodology, this is intended to contrast the
2 Company's use of end-of-year actual numbers versus
3 Staff's methodology that uses averages, is that
4 correct?

5 A. Well, except for the average short-term
6 debt balance which the Company also used, that is
7 correct.

8 MR. TOMC: I have been told that we are on up
9 to Ameren Cross Exhibit Number 6. Would that be the
10 next one? Anybody disagree with that?

11 JUDGE YODER: We only have four. Start at
12 five.

13 MR. TOMC: Okay. Your Honor, I will then mark
14 this first exhibit as Ameren Cross Exhibit 5.

15 (Whereupon Ameren Cross Exhibit
16 5 was marked for purposes of
17 identification as of this date.)

18 BY MR. TOMC:

19 Q. Ms. Phipps, if you would take a look at
20 Ameren Cross Exhibit 5, what's been identified as
21 Ameren Cross Exhibit 5, do you recognize this
22 document? Does it look familiar to you?

1 A. Yes.

2 Q. What do you recognize it to be?

3 A. This is the -- well, part of the balance
4 sheet for 2010 taken from Ameren Illinois Company's
5 FERC Form 1.

6 Q. And that would be the FERC Form 1 with an
7 end of the fourth quarter 2010, is that correct?

8 A. Yes.

9 Q. Okay. And the document that I have shown
10 you here is entitled "Comparative Balance Sheet -
11 Liabilities and Other Credits"?

12 A. Yes.

13 Q. Now, the information that's displayed on
14 this document, if you look at the two columns to the
15 right, it shows the current end-of-year balance and
16 the prior year end balance; is that a fair
17 characterization of what's shown?

18 A. Yes.

19 Q. The FERC Form 1 reports actual end-of-year
20 balances, is that correct?

21 A. Yes.

22 Q. Now, Staff's methodology, if I understand

1 correctly, is a monthly average, is that right?

2 A. That is correct.

3 Q. Is it a 12-month or 13-month average?

4 A. Well, it is the average capital structure

5 is calculated over 12 months, calculated in

6 accordance with the Commission's administrative rules

7 which requires 13 observations to come up with 12

8 monthly balances, and those are averaged to produce

9 an average for the purpose of the capital structure.

10 Q. When you say the Commission's rules, which

11 rules are you referring to?

12 A. Well, it's Illinois Administrative Code

13 285, Part 285.

14 Q. I believe it is specified in your

15 testimony?

16 A. Yes.

17 Q. It is the same -- you are referring to the

18 same rule that you identify in your testimony?

19 A. That is correct.

20 Q. Now, that rule that you referenced is a

21 rule applicable to future test year rate proceedings,

22 is that correct?

1 A. I don't know.

2 Q. All right. Let's move on. Now, the
3 monthly data that you use you do not derive from FERC
4 Form 1, do you?

5 A. There may be figures used in my
6 calculations that are the same as in the FERC Form 1,
7 but I am not certain. Let's see.

8 Q. Let me ask you another way. To derive your
9 monthly average where do you get the monthly data?

10 A. Well, some of it, most of it, I obtained
11 from the Part 285 filing or the data request
12 responses from the Company.

13 Q. So you could not get all of the information
14 to conduct that analysis through the FERC Form 1,
15 would that be correct?

16 A. That is correct.

17 Q. If you could -- now, if I understand your
18 methodology correct, you would require 13
19 observations. How many of those observations could
20 you derive from the FERC Form 1, if any?

21 A. I am not sure that I could derive any of
22 these balances from the FERC Form 1 because the FERC

1 Form 1 -- well, for one, it reflects purchase
2 accounting.

3 Q. If you could turn to page 9 of your
4 rebuttal testimony?

5 A. Okay, I am there.

6 Q. I want to direct your attention to line 117
7 and this sentence begins "To the contrary." Now,
8 this sentence, as I understand it, is intended to
9 offer some authority to support your position in
10 favor of the use of an average capital structure, is
11 that correct? Is that fair?

12 A. I think that's a fair statement, yes.

13 Q. And you indicate that Standard & Poor's
14 uses average common equity in its calculation of
15 return on common equity. For what purpose does
16 Standard & Poor's analyze corporate returns?

17 A. As part of their financial analysis of the
18 companies that they provide credit ratings to.

19 Q. Put another way, Standard & Poor's is
20 primarily concerned with assessing and reporting the
21 creditworthiness of the companies that it reviews, is
22 that fair?

1 A. That's a fair statement.

2 Q. And that is the impetus, if you will, for
3 the analysis that it conducts and uses in its
4 reports?

5 A. Well, this is one component of a very
6 extensive analysis the credit ratings agencies
7 perform. But, yes.

8 Q. You also indicate the financial literature
9 recognizes that it is common regulatory practice to
10 calculate a rate of return on average book equity?

11 A. I am sorry, what line?

12 Q. I guess the sentence begins on 119. It is
13 a clause.

14 A. And would you repeat your question, please?

15 Q. You indicate in your testimony here that
16 financial literature recognizes that it is common
17 regulatory practice to calculate a rate of return on
18 average book equity?

19 A. That is correct.

20 Q. Let me ask you, to the extent you can, do
21 you believe that 108.5 and the formula rate process
22 that it provides for is common regulatory practice?

1 A. Well, I think that there are aspects of the
2 formula rate law that are similar, consistent with
3 traditional ratemaking, which I think could be one
4 definition of common regulatory practice. But I
5 think there are other aspects that are different.
6 Traditional rate making doesn't involve
7 reconciliations. It doesn't involve a formula laid
8 out in statute for a return on equity. The formula
9 rate runs on a shorter clock or has a shorter time
10 frame than a traditional rate case, it is only eleven
11 months. So I think that there are aspects of the
12 formula rate that are similar, but there are some
13 very important differences.

14 Q. Would it be fair to say that in many
15 respects 108.5 provides for a unique ratemaking
16 mechanism for recovery of retail electric service?

17 MS. LUCKEY: Can I just interject for a moment
18 and say that the witness stated she is familiar with
19 Section C and D and that's what she reviewed in
20 preparing her testimony. So when we say Section 108
21 are we referring to the entire Act or only those
22 portions that the witness has reviewed in providing

1 her testimony?

2 MR. TOMC: To clarify I would just ask if the
3 witness would agree that in many respects the
4 ratemaking provided for in 108.5 is unique. To the
5 extent that she does not know, then she can say so.

6 MS. LUCKEY: And I think it is fair that the
7 witness testify as to rate of return and the issues
8 that she is an expert on as far as she knows, you
9 know, what the Act -- how that's different in those
10 respects, but not as to how the Act is different in
11 every respect.

12 JUDGE YODER: I will overrule the objection.
13 She can testify as to her knowledge and to her
14 experience and whatever impression she has.

15 BY MR. TOMC:

16 Q. Is 108.5, does it provide for a unique form
17 of rate recovery?

18 A. Well, I think with respect to Sections
19 16-108.5(c) and (d), the unique aspect relates to the
20 fact that the ROE is based on a formula rather than a
21 cost of equity analysis that would occur for a more
22 traditional ratemaking proceeding.

1 Q. Thank you.

2 (Whereupon Ameren Cross Exhibit
3 6 was marked for purposes of
4 identification as of this date.)

5 Show you what has been marked as Ameren
6 Cross Exhibit 6. The document before you marked as
7 Ameren Cross Exhibit 6, does that look familiar to
8 you?

9 A. Yes.

10 Q. What do you recognize it to be?

11 A. This is the excerpt of Dr. Roger Morin's
12 Regulatory Finance: Utilities Cost of Capital, which
13 I provided as a work paper or source document for my
14 testimony.

15 Q. Now, I see that the title page of this
16 document appears to be a title page of a regulatory
17 finance reference manual, would you agree with that?

18 A. I don't think I would describe it as a
19 reference manual. I think it is a publication
20 regarding regulatory finance.

21 Q. And this book would contain scholarly
22 material concerning utilities cost of capital? Is

1 that what it contains?

2 A. I think this book is essentially a
3 compilation of descriptions of different financial
4 models and different aspects of regulatory finance as
5 Dr. Morin describes them and provides background.

6 Q. In preparing testimony do you on occasion
7 refer to this book to conduct your analysis and
8 review?

9 A. Well, in my rebuttal testimony I referred
10 to these pages that are Ameren Cross Exhibit 6.

11 Q. Have you ever referred to this book before?

12 A. I don't know offhand.

13 Q. Where did you locate it?

14 A. We have this book in the Finance
15 Department. I have read this book, and I review
16 portions of it when preparing testimony. But with
17 respect to my rebuttal testimony, these are the pages
18 that I looked at.

19 Q. Okay. If you turn the cover page, it takes
20 you to page 159 of the book, do you see that?

21 A. Yes.

22 Q. And it indicates at the top that this is

1 Chapter 5 of the book and that the subject of Chapter
2 5 is DCF applications. Do you see it up in the
3 corner?

4 A. Yes.

5 Q. Is that a reference to a discounted cash
6 flow application?

7 A. Yes.

8 Q. And no party in this proceeding has offered
9 a discounted cash flow analysis, have they?

10 A. That is correct.

11 Q. In fact, that type of analysis would not be
12 relevant to this proceeding, would you agree?

13 A. That's correct.

14 Q. I want to draw your attention on this page
15 159, there is an Example 5.1. Skipping past that
16 example, there is a short paragraph at the bottom of
17 the page and it says, "It should be pointed out that
18 published forecasts of the expected return on equity
19 by analysts such as Value Line are sometimes based on
20 end-of-period book equity rather than on average book
21 equity." And then it goes on to say, "The following
22 formula adjusts the reported end-of-year values so

1 that they are based on average common equity which is
2 the common regulatory practice."

3 Did I read that correctly?

4 A. Yes.

5 Q. Is this -- these two sentences, are these
6 the source of your authority that you cite in your
7 rebuttal testimony on page 9?

8 A. Yes.

9 Q. And these two sentences are what you relied
10 upon to support your conclusion that the use of
11 average common equity is a common regulatory
12 practice, is that right?

13 A. Yes. This is the example I cited in my
14 testimony. The other example is Standard & Poor's.

15 Q. Okay. Now, Value Line is a capitalized
16 term used in this exhibit. What is Value Line?

17 A. Value Line is a publication that provides
18 various types of -- or information on various
19 companies, financial information.

20 Q. Would financial professionals refer to
21 Value Line from time to time? Would that be common?

22 MS. LUCKEY: Can I ask in what context you are

1 referring to?

2 Q. Okay. Let me restate the question.

3 Would Value Line be the type of
4 document that an investor or a financial professional
5 working on behalf of an investor would review in
6 making investment decisions?

7 A. Well, there are many publications out there
8 with information similar to what Value Line provides.
9 I don't know -- I think it is a possibility that an
10 investor would consider Value Line when making an
11 investment decision.

12 Q. Would a utility finance expert preparing
13 testimony concerning the return-on-equity refer to a
14 Value Line document possibly?

15 A. Well, they might. I am not sure that they
16 would -- they would refer, for example, to Value
17 Line's growth rates.

18 Q. Turning to the next page which is 160,
19 there is a formula provided to demonstrate the
20 average equity calculation. Do you see that?

21 A. Yes.

22 Q. Now, this formula calculates an average

1 using year-end book equity from the current year to
2 the previous year as compared from the current year
3 to the previous year. Would you agree with that
4 characterization?

5 A. Yes.

6 Q. And although we do not have the full
7 context of Chapter 5, this appears to be a component
8 part of conducting a DCF analysis, is that right?
9 The calculation to be conducted is a component part
10 of a DCF analysis, is that correct?

11 A. Yes.

12 Q. It also concerns calculating growth rates,
13 am I correct?

14 A. Yes.

15 Q. I want to turn your attention to your
16 testimony concerning good will. Now, this testimony
17 concerning purchase accounting in good will that you
18 present in this case, this issue is similar to the
19 good will issue, in fact it is almost the same as the
20 good will issue, purchase accounting issue, you
21 raised in the last case, is that correct?

22 A. Well, not entirely. In the last case my

1 primary position was that good will should be
2 subtracted from the common equity balance.

3 Q. Let me ask you about the last case. If I
4 understand correctly in your direct testimony, to the
5 extent you recall, did you argue that the purchase
6 accounting reflected bookkeeping entries that were
7 not suitable for ratemaking in your opinion? Is that
8 your position on direct?

9 A. Yes.

10 Q. And on rebuttal you argue that AIC had
11 improperly included accounting adjustments in its
12 purchase accounting that were in fact in your opinion
13 unrelated to purchase accounting, do you recall that?

14 A. Are you referring to the last case?

15 Q. Yes.

16 A. Yes.

17 Q. And if I remember correctly, in brief Staff
18 argued that it could not verify the purchase
19 accounting, is that right?

20 A. That is correct.

21 Q. In this case Staff does not contest the
22 accuracy of AIC's purchase accounting adjustments,

1 correct?

2 A. That is correct. I have no opinion as to
3 the accuracy of the purchase account.

4 Q. Would you refer to page 16 of your rebuttal
5 testimony, line 245? You state, "I am not
6 challenging the accuracy of AIC's calculation of its
7 purchase accounting adjustments." Is that your
8 testimony?

9 A. Yes.

10 Q. Now, in the present case, as I understand
11 it, Staff has withdrawn its position as articulated
12 on direct, is that correct?

13 A. Yes, I have withdrawn my primary position
14 in direct testimony.

15 Q. And the argument that is at bar now or the
16 argument that is presented before the Commission, at
17 least as it stands today, would primarily be
18 contained on pages 14 through 16 of your rebuttal
19 testimony?

20 A. Yes.

21 Q. And as I understand it, your explanation
22 here is that -- your argument is that -- is related

1 to dividends that were made by the Illinois Power
2 Company between 2007 and 2009, is that right?

3 Let me rephrase that. Let me refer
4 you directly to page 15 of your rebuttal testimony,
5 line 236.

6 A. Okay.

7 Q. You indicate here that you take issue with
8 dividends made by AmerenIP and equity infusions, and
9 that that supports the disallowance of equity from
10 the equity balance and supports your adjustment. Is
11 that your argument?

12 A. I think that's one of the -- that's one of
13 the things that supports my adjustment. But I
14 explain in the preceding paragraph that I don't agree
15 with the whole premise of the Company's adjustment.

16 Q. Your adjustment would remove approximately
17 \$101 million in equity from the capital structure, is
18 that correct?

19 A. Yes.

20 Q. And that 101 million is calculated as a
21 product of approximately 108 million associated with
22 historic retained earnings generated between 2004 and

1 2008 and that would be offset by approximately seven
2 million in net negative income generated from
3 purchase accounting?

4 A. Yes, my adjustment is based on the
5 Company's calculation of the purchase accounting
6 adjustments.

7 Q. And you took 108 million associated with
8 historic retained earnings from 2004 through 2008 and
9 offset them by approximately seven million in net
10 negative income generated from purchase accounting in
11 2009 and 2010, is that correct?

12 A. Yes.

13 Q. Is it correct that the 108 million in
14 retained earnings that you refer to has in fact been
15 removed from what is now AIC's combined capital
16 structure through the payment of dividends?

17 A. No. That's the basis for my adjustment.

18 Q. Let me ask you, is purchase accounting,
19 that term as we use it, it is related to push down
20 accounting that occurred when Ameren acquired
21 Illinois Power Company, is that correct?

22 A. Yes.

1 Q. Okay. Also purchase accounting is a term
2 we use to reference accounting adjustments to remove
3 the effects of push down accounting on the books of
4 Ameren Illinois Company for regulatory purposes, is
5 that right?

6 A. Will you restate your question?

7 Q. Purchase accounting is also a reference, as
8 it is used in testimony, in your testimony and
9 Mr. Stafford's, to the accounting adjustments that
10 are made to remove the effects of push down
11 accounting on the books of AIC, would you agree?

12 A. I would agree, yes.

13 Q. Okay. Are you familiar with Docket
14 04-0294?

15 A. I was not a witness on that case, but I
16 reviewed the Order.

17 Q. You have reviewed that Order previously, is
18 that correct?

19 A. Yes.

20 Q. I do have a copy of that Order for
21 reference. I am not going to mark it as a cross
22 exhibit because it is a legal document.

1 This docket, the subject matter of
2 this docket was Commission review of Ameren
3 Corporation's acquisition of Illinois Power Company
4 from its then owner Dynegy, is that correct? Do you
5 recall?

6 A. I believe so, yes.

7 Q. If you could refer to page 33 of this
8 Order, all the way at the bottom of the page, last
9 sentence, "The Commission also adopts recommendations
10 of Staff witness Ms. Pearce that the impact of push
11 down accounting should be collapsed into Account 114
12 Plant Acquisition Adjustments for all regulatory
13 purposes such as reporting in Form 21 ILCC." Do you
14 see that?

15 A. Yes.

16 Q. Okay. Now, accounting rules require the
17 statement of assets and liabilities to fair market
18 value at the time that Illinois Power was acquired,
19 would you agree?

20 A. I would agree, yes.

21 Q. Illinois sets rates based on original per
22 book value, not fair market value of assets and

1 liabilities, is that correct?

2 A. That is correct.

3 Q. Staff proposed the Commission approve all
4 impacts of push down accounting should be collapsed
5 into Account 114 for all regulatory purposes, is that
6 correct? Do you disagree?

7 A. Well, all of the balance sheet purchase
8 accounting adjustments are collapsed into Account
9 114, but there are various purchase accounting
10 adjustments that flow through the income statement as
11 well that are not collapsed into Account 114.

12 Q. It is the balance sheet that shows the
13 assets on one side and both the liabilities and
14 equity on the other, is that not accurate?

15 A. That's accurate.

16 Q. And on the balance sheet, in terms of
17 what's reported on FERC Form 1, the year-end balance
18 of equity would be shown, is that correct?

19 A. Yes.

20 Q. And Form ILCC 1 would show similar
21 information, would it not?

22 A. Form 21 also includes a balance sheet.

1 Q. Form 21, thank you. It also shows a
2 balance sheet and on the balance sheet would be
3 reported information similar to FERC Form 1, is that
4 correct?

5 A. I don't know if it is identical. I would
6 think the common equity balance would be.

7 Q. Is the information provided for in Account
8 114 as reported on Form ILCC 21, would that be the
9 same as what is shown on FERC Form 1 for Ameren
10 Illinois Company or Illinois Power Company?

11 A. No, they would be different.

12 Q. Why would they be different?

13 A. Because the FERC Form 1 reflects purchases
14 -- or reflects the fair value adjustments and the
15 Form 21 removes those.

16 Q. And Form 21 removes those from AIC's books
17 because Illinois Power Company was ordered to do that
18 by the Commission in Docket 04-0294, is that not
19 correct?

20 A. That is correct.

21 Q. In Docket 04-0294 the issue of dividends
22 was also taken up, was it not, do you recall?

1 A. I believe so, yes.

2 Q. If you refer to page 38, do you see this
3 section marked "Commission Analysis and Conclusion"?
4 A. Yes.

5 Q. Do you see where it says, "The record
6 establishes that lifting the dividend restriction
7 imposed on IP in Docket Number 02-0561, subject to
8 the revised conditions proposed by Ameren, will be
9 consistent with Section 7-103 of the PUA, and that
10 safeguards have been established to protect the
11 financial integrity of IP before it resumes paying
12 dividends"?
13 A. Yes, I see that.

14 Q. Effective with this Order pursuant to this
15 ruling, the Company was then free to begin paying
16 dividends again, was it not?
17 A. Well, the Order mentions specific
18 conditions that have to be met by the Company.

19 Q. Once the conditions were fulfilled,
20 Illinois Power was free to start paying dividends
21 again, is that correct?
22 A. That's correct.

1 Q. Prior to Ameren's acquisition of Illinois
2 Power Company, would it be fair to say that Illinois
3 Power was a utility that was financially distressed,
4 if you know?

5 A. I believe so, yes.

6 Q. And that's why the dividends were
7 restricted, I am assuming, is that right?

8 A. Well, one of the conditions here in this
9 Order is that IP achieve an investment grade credit
10 rating. So they were below investment grade in
11 either a day or it could be with one of their
12 affiliates, that their financial condition is
13 relatively weak.

14 Q. When did Illinois Power achieve an
15 investment grade credit rating, do you recall?

16 A. No.

17 Q. Would it have been sometime in 2007, do you
18 know?

19 A. I don't know.

20 Q. You would agree with me that Illinois Power
21 Company has been, as it has been incorporated into
22 AIC -- I mean, let me scratch that, rephrase that.

1 Ameren Illinois Company today is
2 investment grade, would you agree?

3 A. Yes.

4 Q. And prior to the merger Illinois Power was
5 investment grade, was it not?

6 A. Well, based on the language in this Order I
7 don't think Illinois Power was investment grade.

8 Q. Is your testimony that Illinois Power
9 Company was not investment grade prior to the merger
10 with AIC in 2010?

11 A. Oh. Oh, 2010? Yes, I believe they were
12 investment grade then. There was a period around
13 2008-2009 when they were not investment grade. I
14 think in the wake of the rate freeze discussion in
15 the legislature, I think they were below investment
16 grade.

17 Q. That rate freeze that you reference, that
18 was threatened by legislative action, to the extent
19 you recall, in 2007, is that right? 2006 or 2007?

20 A. Yes, I think so, 2006 or 2007.

21 Q. I am going to go back to some questions
22 concerning your arguments on page 15. Let me ask

1 about dividends.

2 In general, dividends paid reduce
3 retained earnings on a balance sheet, is that
4 correct?

5 A. Yes.

6 Q. And a reduction in retained earnings, all
7 else equal, reduces equity on the balance sheet, is
8 that correct?

9 A. All else equal, yes.

10 Q. And dividends paid by Illinois Power
11 Company since the time of its acquisition by Ameren
12 Corporation have affected the level of equity now
13 reflected on AIC's balance sheet, correct?

14 A. You are referring to common dividends?

15 Q. Yes.

16 A. That's one of the factors that has affected
17 the common equity balance.

18 Q. And how would dividends paid have affected
19 equity on AIC's balance sheet? Would they have
20 tended to increase equity or would dividends paid
21 tend to decrease equity?

22 A. Dividends paid would reduce the common

1 equity balance.

2 Q. I want to go back to your specific
3 testimony on line 227, again on page 15. You discuss
4 from 2007 through 2009 AmerenIP reduced capital
5 available for investment through the payment of
6 common dividends totaling 152 million?

7 A. Yes.

8 Q. You then argue that immediately thereafter,
9 beginning in the first quarter of 2009, Ameren,
10 quote, contributed 155 million to AmerenIP which was
11 recorded as an increase in the paid-in-capital
12 component of common equity?

13 A. That is correct.

14 Q. Now, do you recall in 2008 do you recall
15 the financial crisis that occurred that year?

16 A. What specifically are you referring to in
17 2008?

18 Q. Do you recall the collapse of Lehman
19 Brothers in 2008?

20 A. Yes, that was in the fourth quarter of
21 2008.

22 Q. And that precipitated what could be

1 considered a global financial crisis. Is that a
2 characterization that you can agree with?

3 A. I think that that sent a clear signal to
4 investors that the financial markets were in trouble.

5 Q. Could it be said that financial markets
6 were in turmoil?

7 A. Yes.

8 Q. And did that occur in the fourth quarter of
9 2008?

10 A. Yes.

11 Q. During that financial crisis were companies
12 such as -- to the extent that you know -- were
13 companies such as Ameren Corporation concerned about
14 liquidity?

15 A. Well, I was a witness on the Ameren rate
16 cases during that time, and there was a concern about
17 liquidity.

18 Q. And as a financial expert professional, do
19 you know was that a concern common among corporate
20 entities at that time?

21 A. I think that was a bigger concern for lower
22 rated entities. I think those that have pretty

1 relatively high credit ratings, for example, A or
2 above, were not in the same boat as the weaker rated
3 companies.

4 Q. In 2008 Illinois Power Company did not have
5 A-rated credit scores or ratings, did it?

6 A. No.

7 Q. In fact, at that time it was, correct me if
8 I am wrong, one notch above junk, is that correct?

9 A. I don't remember exactly what the rating
10 was at that time.

11 Q. But it was not A-rated?

12 A. Correct.

13 MR. TOMC: Thank you, Ms. Phipps. That
14 concludes my cross examination, Your Honor.

15 JUDGE YODER: Do you want to speak to
16 Ms. Phipps for a moment?

17 MS. LUCKEY: I would. Thank you.

18 JUDGE YODER: Go off the record and take a
19 couple minute break.

20 (Whereupon the hearing was in a
21 short recess.)

22 JUDGE ALBERS: Back on the record. Do you have

1 any redirect?

2 MS. LUCKEY: We have no redirect for

3 Ms. Phipps.

4 (Witness excused.)

5 JUDGE ALBERS: And is there any objection then

6 to Ms. Phipps' exhibits?

7 MR. TOMC: None.

8 JUDGE ALBERS: They are admitted as they appear

9 on e-Docket.

10 (Whereupon ICC Staff Exhibits

11 7.0 and 16.0 were admitted into

12 evidence.)

13 JUDGE ALBERS: And I don't recall hearing you

14 move for admission of AIC Cross Exhibits 5 and 6. Do

15 you want to have those admitted or were you just

16 marking them for reference?

17 MR. TOMC: Yes, Your Honor, I would move for

18 admission of Ameren Cross Exhibits 5 and 6.

19 JUDGE ALBERS: Any objection to those?

20 MS. LUCKEY: We have no objection.

21 JUDGE ALBERS: All right. They are both

22 admitted.

1 (Whereupon AIC Cross Exhibits 5
2 and 6 were admitted into
3 evidence.)
4 JUDGE ALBERS: Our next witness is Mr. Brosch.
5 And were you sworn in earlier today?
6 THE WITNESS: No.
7 (Whereupon the witness was duly
8 sworn by Judge Albers.)
9 JUDGE ALBERS: All right. Ms. Lusson?
10 MS. LUSSON: Thank you.
11 MICHAEL L. BROSCHE
12 called as a witness on behalf of the People of the
13 State of Illinois, having been first duly sworn, was
14 examined and testified as follows:
15 DIRECT EXAMINATION
16 BY MS. LUSSON:
17 Q. Mr. Brosch, please state your name, your
18 full name, and business address for the record.
19 A. Michael L. Brosch, P.O. Box 481934, Kansas
20 City, Missouri.
21 Q. Mr. Brosch, you have before you a document
22 that has been previously marked as AG/AARP Exhibit

1 1.0 which consists of 47 pages of questions and
2 answers as well as Attachments AG/AARP Exhibits 1.1,
3 1.2, 1.3, 1.4, 1.5, 1.6, 1.7, 1.8, 1.9 and 1.10?

4 A. Yes.

5 Q. Were those documents prepared by you or
6 under your supervision?

7 A. They were, yes.

8 Q. And do you have any corrections to make to
9 those documents at this time?

10 A. Yes, I am aware of three corrections to
11 Exhibit 1.0.

12 JUDGE ALBERS: Let me find that. Okay.

13 A. First at page 16, line 334, the reference
14 to line 23 should instead be to line 29.

15 Next on page 23 at line 532, after the
16 AIC's, possessive, I would insert the word
17 "customers."

18 And at page 40, line 929, the words
19 "that costs are transposed," it should read "costs
20 that."

21 Those are the changes I am aware of
22 that should be made.

1 Q. And if I asked you the same questions that
2 appear in AG/AARP Exhibit 1.0 today, would your
3 answers be the same?

4 A. Yes, with those corrections.

5 Q. You also have before you a document that's
6 marked AG/AARP Exhibit 3.0 which is the rebuttal
7 testimony of Michael L. Brosch as well as Attachments
8 AG/AARP Exhibits 3.1, 3.2, 3.3 and 3.4. Were those
9 documents prepared by you or under your supervision?

10 A. They were, yes.

11 Q. And if I asked you the same questions
12 today, would your answers be the same?

13 A. Yes.

14 Q. And are there any corrections to AG/AARP
15 Exhibit 3.0?

16 A. None that I am aware of.

17 MS. LUSSON: Okay. Your Honors, I would move
18 for the admission of AG/AARP Exhibits 1.0 through
19 1.10 and AG/AARP Exhibits 3.0 through 3.4, and tender
20 Mr. Brosch for cross examination.

21 JUDGE ALBERS: Any questions of Mr. Brosch?

22 MR. STURTEVANT: Your Honor, are we the only

1 party to cross? Do I understand that correctly?

2 MS. LUSSEN: I believe so.

3 JUDGE ALBERS: Oh, wait, IIEC has some
4 questions.

5 MR. REDDICK: We just had maybe five minutes.

6 MR. STURTEVANT: Your Honor, I would question
7 what they would have questions about, given that I
8 don't believe there is any issues in which IIEC and
9 AG/CUB are adverse.

10 JUDGE ALBERS: Well, let's see.

11 MR. REDDICK: We will find out.

12 JUDGE ALBERS: We will hear what the question
13 is and then -- I share your concern. I just had to
14 ask.

15 MR. REDDICK: Thank you. I have very little so
16 I won't even sit down.

17 CROSS EXAMINATION

18 BY MR. REDDICK:

19 Q. In your direct testimony, pages 32 and 33
20 of your direct, I believe you state that you revised
21 Ameren's treatment of EAC charges because of the
22 requirement that the EAC amounts be remitted to the

1 State by the 20th of the month following collection,
2 instead of, as is Ameren's practice, basing the
3 remittances to the State on the amount that Ameren
4 bills. Was that the basis for your correction or
5 change?

6 A. Yes. As stated in the testimony and with
7 reference to the Commission's prior Order, that is
8 correct.

9 Q. For purposes of this question I want you to
10 assume that Ameren's election to base EAC remittances
11 on the amounts billed instead of the amounts
12 collected is accepted by the Commission and assume
13 further that there is a 21-day billing cycle used by
14 Ameren. Under Ameren's practice, if some of Ameren's
15 customers began paying when they received their
16 bills, would it be true that Ameren would collect
17 more than 21 days of EAC payments in the same month
18 in which the charges were billed?

19 A. Ameren would commence collecting, if I
20 understand your assumption correctly, based on
21 billings immediately after billing. And with 21 bill
22 cycles in the month, the Company would commence

1 collecting revenues earlier for purposes of
2 remittance than if the remittance were collected --
3 were based on a collected revenue basis.

4 Am I tracking with you?

5 Q. I am simply asking about customer -- this
6 hasn't to do with the remittance process but simply
7 the customer bill payment process. Ameren begins
8 billing on day one of the billing cycle?

9 A. Yes.

10 Q. Customers receive the bills; customers
11 start paying the bills. Not all of them pay on time;
12 not all of them pay early. But they begin paying
13 over a period. There will be some payments by
14 customers in the same month that bills were received?

15 A. I would expect so, yes.

16 Q. And those payments would continue through
17 the following month in which month Ameren has to
18 remit payment to the State by the 20th?

19 A. Yes, there would be an array of payments
20 through time as customers remit.

21 Q. Now, my recollection is that Ameren's
22 calculation of the expense lead is approximately four

1 days, meaning that Ameren has collected amounts and
2 has that amount in hand for only four days before it
3 has to send it to the State?

4 A. That's correct. The net lag, the
5 difference between the revenue lag and the expense
6 lag per the Company's position -- for the Company's
7 position is four days.

8 Q. Does that four days take account of the
9 amounts collected in the same month that the bills
10 went out?

11 A. No.

12 MR. REDDICK: That's all.

13 JUDGE ALBERS: Mr. Sturtevant, do you have any
14 concern you wish to raise at this time?

15 MR. STURTEVANT: Your Honor, I guess I would
16 like to reserve the opportunity to raise concerns
17 when I see the transcript.

18 JUDGE ALBERS: All right. Fair enough.

19 CROSS EXAMINATION

20 BY MR. STURTEVANT:

21 Q. Good afternoon, Mr. Brosch. My name is
22 Albert Sturtevant, an attorney for Ameren Illinois

1 Company. And I would like to start by directing you
2 to pages 9 through 10 of your direct testimony.

3 A. All right. I am there.

4 Q. And those -- and I will direct you more
5 precisely to lines 203 through 206. And you have
6 discussed there an estimate of annual rate base
7 growth of about 62 million per year, is that correct?

8 A. Rate base growth caused by the new
9 investment, yes.

10 Q. Okay. Now, I just want to use that number
11 as a basis for an assumption, as an assumed rate base
12 growth amount, to walk you through two scenarios
13 regarding reconciliation of rate base.

14 A. Okay.

15 Q. First, let's assume we are reconciling a
16 rate year using year-end reconciliation of rate base.

17 A. Okay.

18 Q. And let's assume that the projected
19 year-end rate base and the actual year-end rate --
20 sorry, the projected year-end rate base growth and
21 the actual year-end rate base growth is the same for
22 the rate year at 62 million.

1 A. Okay.

2 Q. And let's also assume that there is no
3 variance in operating expenses to require
4 reconciliation?

5 A. Or taxes?

6 Q. Or taxes.

7 A. Or depreciation expense?

8 Q. Yes, I would like to focus just on the
9 differential of the rate base.

10 A. Rate base.

11 Q. So assuming all else equal.

12 A. All right.

13 Q. If the actual growth in rate base measured
14 at the year end is the same 62 million as was
15 projected for the year end, there is no
16 reconciliation variance in the rate base for that
17 year, is that correct?

18 A. What am I supposed to assume regarding the
19 calculation of the inception revenue requirement? Am
20 I to assume an average rate base calculation was used
21 for that purpose or an end-of-year rate base was used
22 for that purpose?

1 Q. Well, what I am asking you is, if you are
2 using a year-end rate base to determine the projected
3 rates for a year under the formula rate and you are
4 familiar presumably, quite familiar, with how the
5 formula rate setting process works?

6 A. I understand now the assumption. So we are
7 setting inception rates, if I could call them that,
8 using a year-end rate base concept with regard to
9 projected plant additions.

10 Q. Correct. And we can -- if it is easier, we
11 can refer to a particular year, in say 2014 or 2013.
12 In 2013 you would set a projected year-end rate base
13 amount for the year 2013 in a filing in May 1 of
14 2013, correct?

15 A. I am trying to work with you here. We have
16 several issues rolling around in terms of how you
17 calculate rate base for purposes of setting rates in
18 a given year. If we are just going to talk about
19 variances in plant, maybe that's the best way to
20 narrow it down so I can track with you.

21 Q. We can talk about variances in plant, but
22 the point I am trying to get to is, if you have a

1 reconciliation rate base that is a year-end rate base
2 and the previously projected estimated rates for the
3 year that you are now reconciling to was also set on
4 a year-end rate base basis, there will be no variant
5 in the -- at the time of reconciliation there will be
6 no reconciliation variant between the two year-end
7 rate bases, assuming that the projected amount and
8 the actual amount are the same?

9 A. I believe that follows with your narrower
10 constructive assumptions, yes.

11 Q. And then if we take my narrowly constructed
12 assumptions and we move to an average rate base, and
13 in that scenario the initial or projected rates for a
14 year would be based on the projected year-end plant
15 addition amount which, going back to my original
16 scenario and say reflects the 62 million in growth,
17 is that correct or do you understand that?

18 A. I understand that assumption, yes.

19 Q. And then as you point out, I think, in your
20 testimony here at about line 209, if you were to
21 reconcile to an average rate base, the rate base
22 amount for the reconciliation is 31 million?

1 A. Yes. With those assumptions that's right.
2 The average rate base would reflect an apparent
3 overstatement of the inception rates that were not
4 averaged.

5 Q. Okay. So in other words, the average rate
6 base would be approximately 31 million less than the
7 year-end rate base amount?

8 A. That's right. And in fact on page 11 you
9 can see with different assumptions a modeling of that
10 effect through time.

11 Q. Okay. And the difference, again, holding
12 all else equal, that difference would be reconciled
13 in the reconciliation for that reconciliation year?

14 A. Yes, along with all other variances in
15 revenue requirement.

16 Q. And again holding the other variances in
17 the revenue requirement constant, would you agree,
18 again using the same numbers, that there is
19 approximately 4.4 million of revenue requirement
20 related to that 31 million difference in rate base?
21 And I am drawing that from line 213 of your
22 testimony.

1 A. Yes, the calculations are explained in
2 Footnote 16, the inputs that were used. But, yes,
3 that's the approximate revenue requirement effect for
4 the return...

5 Q. And would you.

6 A. ..difference on that investment.

7 Q. Sorry. Would you agree that, absent any
8 other reconciliation amount, that amount would be
9 credited to customers?

10 A. If there were no variances anywhere else,
11 using the assumptions in the footnote, yes, that
12 would be the approximate effect of the reconciliation
13 before interest.

14 Q. Now, you would agree that it is a benefit
15 to customers to minimize the absolute value of the
16 revenue requirement reconciliation adjustments,
17 right?

18 A. I say that somewhere in here, yes. The
19 goal should be to set the revenue requirement at a
20 level that does not persistently result in large
21 reconciliation adjustments.

22 Q. Right. And one reason to do that is reduce

1 it to finance cost, would you agree?

2 A. You could do that, yes. From ratepayers
3 perspective reduce the positive/negative carrying
4 charges that are added to the deferral balance.

5 Q. But as we discussed in my scenarios that I
6 just walked you through, there is a larger
7 reconciliation variance with the average rate base
8 reconciliation than there is with the year-end rate
9 base reconciliation?

10 A. Probably not. I mean, because I have to
11 quarrel with you about your assumptions. The setting
12 of inception rates does nothing to recorded O&M
13 costs. There is no provision for any escalation or
14 potential inflationary pressures on O&M costs, which
15 would tend to generate variances that would result in
16 surcharges to customers.

17 So I view the methods required to
18 calculate the inception revenue requirement to be a
19 balance probably overstating rate base by including
20 the full-year projected additions, probably
21 understating O&M. By the time we get to
22 reconciliation, we mash all of that together and the

1 numbers are what they are.

2 Q. Right. But I am not -- again, going back
3 to the narrowly tailored assumptions that we talked
4 about before, assuming there are no other variances,
5 what we just discussed were two scenarios, one with
6 year-end rate base reconciliations resulting in no
7 variance and one with an average rate base
8 reconciliation resulting in a \$31 million variance;
9 you would agree with that, right?

10 A. Yes, subject to quarreling over the
11 assumptions you made, that's right.

12 Q. I would like to turn our attention now from
13 average rate base to reconciliation -- reconciliation
14 interest amounts. If you turn to your rebuttal
15 testimony, please, page 4, lines 25 through 26?

16 A. All right.

17 Q. And you recommend that a short-term debt
18 interest rate be applied to reconciliation balances,
19 correct?

20 A. I do. That was my original recommendation.
21 I think later I speak to what the Commission did with
22 ComEd. But, yes, that's my recommendation.

1 Q. And does that remain your recommendation?

2 A. Yes.

3 Q. And then turning to page 12 of your

4 rebuttal testimony, you testify there regarding

5 reconciliation interest, that this concern -- on line

6 222 you refer to this concern, which is I believe

7 Mr. Nelson's concern, would only be valid if Ameren

8 actually financed regulatory asset amounts resulting

9 from the reconciliation process solely with

10 incremental short-term debt?

11 A. I see that reference, yes.

12 Q. Okay. And a little bit further down,

13 starting at line 229, you say, "If other forms of

14 capital such as long-term debt are assumed to be

15 supportive of reconciliation regulatory asset

16 balances, Mr. Nelson's concerns about double counting

17 short-term debt are not warranted." Do you see that?

18 A. I do.

19 Q. Can we therefore conclude from your

20 testimony that the -- strike that.

21 It is correct then that we can

22 conclude from your testimony that other forms of

1 capital besides short-term debt would be supporting
2 the reconciliation balances?

3 A. You know, I think a fair reading of my
4 testimony is that it is not possible to track dollars
5 of financing to specific changes in assets. It is
6 not practical, for instance, to observe that the
7 regulatory asset balance Group IX and therefore it
8 was funded by some particular type or mix of capital.
9 And that's why at line 231 I say that if specific
10 types of capital are not described by the Commission
11 in favor of simply setting an interest rate, Ameren
12 is free to manage capital structure decisions and can
13 use whatever mix of incremental findings it views to
14 be optimal.

15 Q. So based on that, it would be your position
16 that Ameren is not financing the reconciliation
17 balances solely with short-term debt?

18 A. I don't think it will be possible to say
19 whether it has or not. If the Commission chooses to
20 direct the Company to finance regulatory asset
21 balance changes with short-term debt, the Company in
22 my view could color the argument that there has been

1 a specific assignment of capital.

2 They did not choose to do that in
3 ComEd. As I recall, the Order specified an interest
4 rate that was a blend of short-term and long-term
5 debt interest. And with that kind of an Order, I
6 don't think it is possible to source particular
7 capital to specific assets.

8 Q. And you are not recommending that to the
9 Commission?

10 A. I am not. But I am assuming that may be
11 consistent with that prior Order.

12 Q. But it is your position if we go down just
13 a little bit further, sorry, around line 226, that
14 you think Ameren should be encouraged to use
15 short-term debt to finance these reconciliation
16 balances?

17 A. That is correct. Here and in my direct
18 testimony I characterize the change in this
19 regulatory asset balance as being of a working
20 capital nature, not requiring permanent financing
21 because the variances billed in a year are calculated
22 and then fairly quickly returned or charged to

1 customers. At the same time new variances are
2 materializing for the next year.

3 Q. You would agree that short-term debt is
4 debt issued for a period of less than one year,
5 correct?

6 A. Yes, typically.

7 Q. And you would also agree that in any given
8 year under the formula rate process AIC could
9 experience a revenue requirement shortfall or
10 under-collection?

11 A. Yes, and could also roll over short-term
12 debt to continue to use short-term debt in its
13 capitalization.

14 Q. But my question was that they can have an
15 under-collection or a shortfall in any particular
16 year?

17 A. Yes. The variances can go either way.

18 Q. Right. So, for example, there could be a
19 revenue requirement shortfall in 2013 as we talked
20 about before?

21 A. In any given year there can be a variance
22 and there can also be a surcharge recovery or a

1 return to customers of variances from prior years.

2 It is a dynamic balance.

3 Q. And so, assuming that there is a revenue
4 shortfall in 2013, AIC could have accumulated a
5 revenue requirement or would have accumulated the
6 revenue requirement shortfall that ran through that
7 year, is that correct?

8 A. I am not sure I follow your question.

9 Q. Well, over the course of 2013, if there is
10 a revenue requirement shortfall in 2013, there would
11 have been -- presumably the revenue requirement
12 shortfall is not going to happen on day one of 2013;
13 it is accumulated over the course of a year?

14 A. Yes, it is dynamic from month to month.

15 Q. Now, the amount of the shortfall, though,
16 would not be formally determined until sometime in
17 2014 following the May 1 reconciliation filing
18 proceeding, is that correct?

19 A. That's my understanding, yes. Well,
20 determined by the Commission certainly.

21 Q. Correct.

22 A. I would assume that the Company for

1 accounting purposes would make some determination and
2 accrual in its books, estimating its revenue
3 entitlement for financial reporting purposes.

4 Q. Right, determined by the Commission. So
5 officially determined?

6 A. Well, we need to be a little bit careful
7 here. For financial reporting purposes the Company
8 would need to make a judgment as to the revenue
9 entitlement it has at year end and record accruals to
10 reflect its revenue entitlement, presumably related
11 to a regulatory asset balance that had accumulated as
12 of that day, all subject to a later review and
13 approval by the Commission.

14 Q. But then for purposes of determining for
15 ratemaking purposes the required adjustment related
16 to the shortfall in 2013, that would be determined in
17 the course of the 2014 reconciliation process filed
18 on May 1, is that correct?

19 A. I believe so, yes. The ultimate decision
20 would be made by the Commission. Am I understanding
21 your question?

22 Q. Correct.

1 A. Yes.

2 Q. And then the rates to recover that
3 shortfall, among other things, there would be a rate
4 adjustment that would be applicable during 2015, is
5 that correct?

6 A. That's my understanding, yes.

7 Q. So the 2013 shortfall would be collected
8 over the course of 2015, is that correct?

9 A. Yes, if we were looking only at that single
10 year. As I said before, it would be dynamic. There
11 would be originating and returning variances
12 continuously through the process, starting with the
13 first year and subject to reconciliation.

14 Q. Right. But of the 2013 shortfall that I am
15 talking about, that would be recovered over the
16 course of 2015?

17 A. Yes.

18 Q. And so with respect to that 2013 shortfall,
19 a two-year period will have elapsed from the last day
20 of the period in which the shortfall accumulated,
21 which is 2013, until the last day of the period when
22 the shortfall is recovered, is that correct?

1 A. If we look just at the year in isolation,
2 yes.

3 Q. But it is your proposal to finance that
4 two-year balance lag, balance recovery lag, with
5 short-term debt that has a life of less than one
6 year, is that correct?

7 A. Well, my proposal is that the interest rate
8 be based on the cost of short-term debt. Ameren may
9 choose to actually finance a shortfall, to follow
10 through with your assumption, with short-term debt.
11 It could do that and roll the short-term debt to
12 perpetuate that form of financing, if it chose to.
13 There could be variances, would be variances,
14 originating and returning continuously into the
15 future.

16 Q. Right. But the two years of the particular
17 2013 balances would be, under your recommendation to
18 use a short-term interest rate and encourage the use
19 of short-term debt, would be supported with debt that
20 had a maturity of a year or less?

21 A. If we look at an individual issuance
22 specifically, yes.

1 Q. If the ICC directs -- and this gets back to
2 one of your earlier statements. If the ICC directs
3 the Company to finance shortfalls of the type we were
4 just discussing with short-term debt, that short-term
5 debt cannot also be reflected in the capital
6 structure supporting rate base, is that correct?

7 A. I suppose it could be. Maybe I don't
8 understand your question. Do you mean in the
9 interest of avoiding accounting for it twice, you
10 would not reflect it in the capital structure?

11 Q. Correct. If the shortfall is directed to
12 be supported by short-term debt, you would not
13 include that in the capital structure, correct?

14 A. I think it depends on what the Commission
15 says in its Order about the interest rate and how it
16 is being determined. I am not sure that the
17 Commission needs to direct Ameren to actually finance
18 a particular asset in a particular way so much as
19 they can direct the use of a reasonable interest rate
20 to be accrued upon deferral balances subject to
21 surcharge or return to customers.

22 Q. You would agree that, to the extent the

1 short-term debt is supporting a reconciliation
2 balance, it cannot at the same time support plant in
3 rate base or plant investment?

4 A. Again you are asking me to color blue and
5 label dollars of capitalization as related to a
6 particular asset. If we want to engage in that, we
7 can make that an assumption and say that, if we are
8 accounting for the dollars with regard to this
9 particular asset, we should also assign dollars to a
10 different asset.

11 I understand that do argument. I am
12 not sure that I agree that you can actually track
13 dollars to particular assets, absent an Order that
14 says the Commission telling the Company to actually
15 issue a particular kind of financing for a particular
16 purpose.

17 Q. But it is your testimony that the Company
18 should be encouraged to support these balances with
19 short-term debt, correct?

20 A. Well, certainly in the current environment
21 that would be -- an encouragement would be to set the
22 rate based on short-term debt.

1 Q. So if they do that, if the Company obtains
2 short-term to finance the reconciliation balances,
3 that short-term debt cannot also support some other
4 investment in rate base, correct?

5 A. Well, that's right. I mean, a dollar is a
6 dollar. You can't track it, but if you start to
7 track it and say that it is for this purpose, then it
8 can't also be for another purpose.

9 Q. Right. So a dollar of capital can only be
10 devoted to one -- or any dollar can only be devoted
11 to one use at a time, is that correct?

12 A. Yes.

13 Q. If the short -- if the Company does utilize
14 short-term debt to finance reconciliation balances
15 and that's included in the capital structure, that
16 serves to lower the overall weighted cost of capital,
17 correct?

18 A. Under current market conditions, that would
19 be correct, yes.

20 Q. So is it correct then if the Company
21 obtains short-term debt to finance the reconciliation
22 balances -- strike that.

1 If the Company is encouraged to use
2 short-term debt with the interest rate and does so
3 for the reconciliation balances, would it be correct
4 that they are -- that, when included in the capital
5 structure, would lower the weighted average cost of
6 capital and at the same time they are limited in
7 terms of the interest rate that they recover for the
8 balances?

9 A. I am not sure I am following all of that.
10 Can I have that again?

11 Q. Sure. If the Company is encouraged to
12 utilize short-term debt to fund or support the
13 reconciliation balances by setting the short-term or
14 by setting interest rate at the short-term debt rate,
15 isn't it the case that they -- that would both serve
16 to lower the average weighted cost of capital because
17 of the inclusion of short-term debt into the capital
18 structure but at the same time limit the ability of
19 the Company to recover on the short-term debt
20 balances to whatever the interest rate is, the
21 short-term from rate that the Commission has set?

22 MS. LUSSEON: I am sorry, I lost that last

1 portion of your question. It sort of dropped off and
2 I couldn't hear it.

3 MR. STURTEVANT: The end of the question is
4 that it would both lower the weighted average cost of
5 capital and would also -- the Company at the same
6 time, though, would be limited by the interest rate
7 that the Commission has set to just the short-term
8 rate of interest on the reconciliation balances.

9 MS. LUSSON: The interest rate, which interest
10 rate are you talking about?

11 MR. STURTEVANT: The short-term interest rate.

12 MS. LUSSON: Short-term debt?

13 MR. STURTEVANT: Short-term debt, yeah, the
14 interest rate on the reconciliation balances which is
15 what we are discussing here, limited to the
16 short-term debt.

17 THE WITNESS: A. I think you are asking me to
18 assume the following things. Let me state them and
19 see if I understand your question.

20 I think you are asking me to assume
21 that the reconciliation is a debit regulatory asset,
22 meaning moneys are to be collected from customers,

1 and that the Commission has ordered that a short-term
2 debt-based interest rate be applied to those balances
3 until they are collected from customers.

4 And I think you are asking me to also
5 assume that the Company finances those regulatory
6 assets with incremental short-term debt and that all
7 of the incremental short-term debt is included in the
8 capital structure for future ratemaking purposes.

9 Q. Correct.

10 A. Are all of those things to be assumed?

11 Q. Yes.

12 A. In that case there would be a lowering of
13 the weighted average cost of capital under current
14 market conditions where short-term debt is the lowest
15 cost form of available capital.

16 MR. STURTEVANT: Before I forget I just wanted
17 to quickly move the two data requests into evidence,
18 and I will mark those --

19 JUDGE ALBERS: Seven.

20 MR. STURTEVANT: So Cross Exhibits 7 and 8,
21 which were agreed to previously.

22 MS. LUSSEN: Actually, you didn't identify --

1 you didn't say which one was 8.01. I think the
2 response is all the responses. So just to clarify,
3 which two responses are you?

4 MR. STURTEVANT: I am sorry. So AIC Cross
5 Exhibit 7 would be the response to AIC-AG/AARP-2.01
6 and AIC Cross Exhibit 8 would be the response to
7 AIC-AG/AARP-2.15.

8 (Whereupon AIC Cross Exhibits 7
9 and 8 were marked for purposes
10 of identification as of this
11 date.)

12 MR. STURTEVANT: I think these have been agreed
13 to, so I will just move for their admission now and
14 then I have a few more questions after that.

15 JUDGE ALBERS: Any objection?

16 MS. LUSSON: No objection.

17 JUDGE ALBERS: Thank you. Let me get this
18 recorded properly before you continue.

19 (Whereupon AIC Cross Exhibits 7
20 and 8 were admitted into
21 evidence.)

22 JUDGE ALBERS: Okay, thank you.

1 MR. STURTEVANT: And then I have now what is
2 marked as AIC Cross Exhibit 9. If I could approach
3 the witness, Your Honor?

4 JUDGE ALBERS: Yes.

5 (Whereupon AIC Cross Exhibit 9
6 was marked for purposes of
7 identification as of this date.)

8 BY MR. STURTEVANT:

9 Q. Now, Mr. Brosch, you have what I have just
10 marked as AIC Cross Exhibit 9 which is a data
11 response I believe you prepared, AIC-AG/AARP-1.05, is
12 that correct?

13 A. I probably prepared the part after the
14 objections.

15 MS. LUSSON: Your Honor, I think at this time I
16 am going to object to this question. As we stated in
17 our response, it assumes facts not in evidence. The
18 issue, I believe, is that reconciliation revenue lag
19 calculations currently only apply to electric
20 utilities under the new statute. So the question
21 asks for differences that exist in the methodology
22 where you calculate the revenue lag of an electric

1 utility versus a gas utility which are commonly owned
2 by one company.

3 So it is not clear -- I guess I
4 believe the assumption in the question is
5 inappropriate because of that fact.

6 JUDGE ALBERS: Let me read the DR and the
7 response before I hear any feedback.

8 (Pause.)

9 MS. LUSSON: Your Honor, I am previewing the
10 question and I see -- let me clarify with counsel.
11 This is referencing cash working capital calculation?

12 MR. STURTEVANT: Correct.

13 MS. LUSSON: Okay. I will withdraw my
14 objection then.

15 JUDGE ALBERS: Go ahead, Mr. Sturtevant.

16 BY MR. STURTEVANT:

17 Q. Mr. Brosch, you were asked in this
18 discovery request about differences between the
19 methodology employed to calculate the revenue lag of
20 an electric utility versus a gas utility which are
21 commonly owned by one company, is that correct?

22 A. That is correct.

1 Q. And as part of your response you stated
2 that if utilities under common ownership employ
3 precisely the same meter reading, billing and
4 remittance processing procedures for both electric
5 and gas service and if credit collection policies and
6 revenue applicable rules are the same, it is not
7 obvious that any differences in methodology would be
8 required, is that correct?

9 A. Yes.

10 Q. And you continue to agree with that
11 statement, correct?

12 A. You know, I think in drafting -- generally
13 yes. I think in drafting that response I didn't
14 focus on the methodology part of the question as much
15 as I should have. I was trying to get to the reason
16 why there might be differences in result regardless
17 of methodology. So it could be I didn't fully
18 understand the question you were asking.

19 There may need to be differences in
20 methodology. The statement that it is impossible to
21 understand what differences in methodology would be
22 required goes to the issue of availability of data.

1 Q. But you still stand by your statement that
2 if they employ the same procedures, precisely the
3 same procedures, that there would not necessarily be
4 any required differences in methodology?

5 A. That's true.

6 Q. At page 14 of your rebuttal, page 14 of
7 your rebuttal, for the purposes of calculating cash
8 working capital you recommend adding grace period
9 assumptions, is that correct? Down there at the
10 bottom of line 300.

11 A. That's right, the same assumptions that
12 ComEd used with its midpoint of aging intervals
13 approach that Mr. Heintz is using.

14 Q. Okay. So I think you just answered my next
15 question which is grace period assumptions are based
16 on collection lag methodology that was utilized in
17 the ComEd docket, is that right?

18 A. That's right.

19 Q. And that methodology includes an eight-day
20 assumption for the initial zero to 30-day receivable
21 aging interval, is that correct?

22 A. I believe it does for commercial accounts.

1 For residential accounts I believe it results in a
2 zero lag day assignment to the zero to 30 time. You
3 understand these are all relatively arbitrary numbers
4 plugged into an incredibly arbitrary method, so.

5 Q. So that was actually my next question as
6 well. You consider the eight-day assumption to be an
7 arbitrary assumption, is that correct?

8 A. They all are. The entire method is based
9 upon gross assumptions.

10 Q. So the other component of you referenced of
11 the ComEd methodology, the, I believe you referenced,
12 zero days of residential as an arbitrary assumption
13 as well, is that correct?

14 A. Yes, they all are. There has been no
15 analysis of the actual timing of customer
16 remittances.

17 MR. STURTEVANT: Your Honor, I have no further
18 questions.

19 JUDGE ALBERS: Thank you. Did you -- were you
20 identifying this Number 9 for reference?

21 MR. STURTEVANT: Yes, I am not going to move
22 that.

1 JUDGE ALBERS: Ms. Lusson, did you have any
2 redirect?

3 MS. LUSSON: I think I have three questions,
4 Your Honor.

5 JUDGE ALBERS: Okay.

6 REDIRECT EXAMINATION

7 BY MS. LUSSON:

8 Q. Mr. Brosch, in response to, I believe it
9 was, the second to the last question, Mr. Sturtevant
10 asked you about your recommendation to insert grace
11 period allowances in the revenue collection lag
12 calculation. Do you recall his questions?

13 A. Yes, I do.

14 Q. I think in your response you stated that
15 the entire method is based on gross assumptions. Do
16 you recall that statement?

17 A. Yes, I do.

18 Q. And when you say referenced the entire
19 method, were you referring to -- whose methodology,
20 what methodology were you referring to?

21 A. The methodology that was approved by the
22 Commission in ComEd 11-0721 and a variant of that

1 methodology that is being proposed by Ameren in this
2 docket. I am just saying that, if the Commission
3 wants to employ the same set of assumptions across
4 cases, it needs to add the grace period assumptions.

5 Q. And, Mr. Brosch, do you recall the line of
6 questioning --

7 JUDGE ALBERS: Off the record.

8 (Whereupon there was then had an
9 off-the-record discussion.)

10 JUDGE ALBERS: Back on the record.

11 Go ahead, Ms. Lusson.

12 BY MS. LUSSON:

13 Q. Mr. Brosch, do you recall the line of
14 questions wherein Mr. Sturtevant presented a
15 hypothetical regarding end-of-year rate base versus
16 average rate base?

17 A. I believe so, yes.

18 Q. And I think in one of the questions in the
19 comparison questions he offered that the formula
20 rates, the projected formula rates, would incorporate
21 a year-end plant-in-service number forecast of 62
22 million and that, if an average rate base was applied

1 upon recollection, that a \$32 million rate number
2 would be produced. Do you recall that?

3 A. Yes. Half of 62 million I think was the
4 operative calculation, and that was a rate base
5 dollar amount under those assumptions.

6 Q. And I believe that Mr. Sturtevant indicated
7 under that scenario that there would be a \$4.4
8 million revenue requirement reduction to the Company
9 as a result of using that average rate base?

10 A. If we assume that was the only variance
11 between the inception revenue requirement and the
12 reconciled revenue requirement, yes. That was a
13 number from my testimony.

14 Q. And given those dollar figures, why do you
15 believe it is appropriate and fair to both the
16 Company and the customers to utilize an average year
17 rate base for purposes of the reconciliation
18 calculation?

19 A. For the reasons stated in my testimony; the
20 intent for reconciliation is to reconcile the revenue
21 requirement to what is the actual costs incurred by
22 the Company to provide service, and the actual costs

1 throughout the reconciliation year should include a
2 return on the level of actual investment that existed
3 throughout that reconciliation year, not some
4 snapshot end of period level of investment that would
5 tend to overstate the revenue requirement in an
6 environment where we know we are systematically
7 making large incremental adjustments -- or
8 investments, excuse me.

9 Q. And, finally, do you recall a line of
10 questions about your recommendation that a short-term
11 debt interest rate be applied to any reconciliation
12 adjustment that occurs when rates are set during the
13 reconciliation process?

14 A. Yes, I recall those questions.

15 Q. Why do you believe it is appropriate to use
16 a -- utilize a short-term debt interest rate as
17 applied to a reconciliation adjustment even if, as
18 Mr. Sturtevant indicated in his hypothetical, there
19 would be a two-year lag between the inception rates
20 and reconciliation rates?

21 Do you want me to repeat that
22 question?

1 JUDGE ALBERS: Hold that thought. Let's get
2 rid of that dial tone.

3 (Whereupon the hearing was in a
4 short recess.)

5 BY MS. LUSSON:

6 Q. Mr. Brosch, let me try that last question
7 again.

8 Do you recall the line of questioning
9 regarding the application of short-term debt interest
10 rate on reconciliation adjustments that come out of
11 the reconciliation docket? Do you recall that line
12 of questions?

13 A. Yes, I do.

14 Q. And I believe in the example Mr. Sturtevant
15 set up he indicated that there would be a two-year
16 lapse of time between the setting of the inception
17 rates and the setting -- or the enactment of the
18 reconciliation rates. Do you recall that?

19 A. Yes.

20 Q. Why do you believe it is appropriate to use
21 short-term debt interest rate for reconciliation
22 balances, even notwithstanding the fact that there

1 would be a two-year time lapse between the setting of
2 the inception rates and the new reconciliation rates?

3 A. The balances we are talking about are
4 regulatory assets that I viewed to be a working
5 capital type of investment, not unlike an investment
6 the Company might make in inventories or prepayments
7 or some other working capital account. These are
8 balances that will continuously originate and be
9 amortized in conjunction with the variance between
10 inception revenue requirement and reconciled revenue
11 requirement. The process will be continuous from one
12 year to the next. The balance may grow or decline.
13 Variances can go either direction. It is not obvious
14 to me that there is any need to provide for or assume
15 the provision of any permanent financing for some
16 perpetual, large incremental investment.

17 Q. And is it correct that the Company's
18 preferred weighted average cost of capital interest
19 rate incorporates long-term debt in that instrument?

20 A. Yes, the weighted average cost of capital
21 consists predominately of long-term debt and cost of
22 equity capital.

1 MS. LUSSON: No further redirect.

2 JUDGE ALBERS: Any recross?

3 MR. STURTEVANT: No, Your Honor.

4 (Witness excused.)

5 JUDGE ALBERS: Any objection then to the

6 previously identified exhibits for the witness?

7 (No response.)

8 Hearing none, then AG/AARP Exhibits

9 1.0 through 1.10 and 3.0 through 3.4 are admitted as

10 they appear on e-Docket.

11 (Whereupon AG/AARP Exhibits 1.0

12 through 1.10 and 3.0, 3.1, 3.2,

13 3.3 and 3.4 were admitted into

14 evidence.)

15 JUDGE ALBERS: And go off the record for a

16 minute.

17 (Whereupon there was then had an

18 off-the-record discussion.)

19 JUDGE ALBERS: Back on the record.

20 And I see Mr. Tolsdorf here, too, so

21 I'll go ahead and swear you both in at the same time.

22 Stand and raise your right hand.

1 (Whereupon the witnesses were
2 duly sworn by Judge Albers.)

3 JUDGE ALBERS: Thank you.

4 BURMA C. JONES

5 called as a witness on behalf of Staff of the
6 Illinois Commerce Commission, having been first duly
7 sworn, was examined and testified as follows:

8 DIRECT EXAMINATION

9 BY MR. OLIVERO:

10 Q. Good afternoon, Ms. Jones. Would you
11 please state your full name and spell your last name
12 for the record.

13 A. Burma C. Jones, J-O-N-E-S.

14 Q. And by whom are you employed?

15 A. The Illinois Commerce Commission.

16 Q. And what is your position with the Illinois
17 Commerce Commission?

18 A. I am an accountant in the Accounting
19 Department of the Financial Analysis Division.

20 Q. Ms. Jones, have you prepared written
21 testimony for purposes of this proceeding?

22 A. Yes.

1 Q. Do you have before you a document which has
2 been marked for identification as ICC Staff Exhibit
3 3.0 entitled Direct Testimony of Burma C. Jones which
4 consists of a cover page, a table of contents, six
5 pages of narrative testimony and Schedule 3.01?

6 A. Yes.

7 Q. Are these true and correct copies of the
8 direct testimony that you have prepared for this
9 proceeding?

10 A. Yes.

11 Q. And do you also have before you a document
12 which has been marked for identification as ICC Staff
13 Exhibit 12.0 entitled Rebuttal Testimony of Burma C.
14 Jones?

15 A. Yes.

16 Q. Which consists of a cover page, a table of
17 contents, four pages of narrative testimony and
18 Schedule 12.01?

19 A. Yes.

20 Q. And are those true and correct copies of
21 the rebuttal testimony that you have prepared?

22 A. Yes.

1 Q. Do you have any corrections to make to your
2 prepared direct or rebuttal testimony?

3 A. I do not.

4 Q. Is the information contained in ICC Staff
5 Exhibits 3.0 and 12.0 and the accompanying schedules
6 true and correct to the best of your knowledge?

7 A. Yes.

8 Q. And if you were asked the same questions
9 today, would the answers contained in your prepared
10 testimony be the same?

11 A. Yes.

12 MR. OLIVERO: Your Honor, at this time and
13 subject to cross we would move for admission into
14 evidence Ms. Jones' prepared direct testimony marked
15 as ICC Staff Exhibit 3.0 including Schedule 3.01 as
16 well as Ms. Jones' prepared rebuttal testimony marked
17 as ICC Staff Exhibit 12.0 including Schedule 12.01.

18 I would note that these were the same
19 documents that were filed on the Commission's
20 e-Docket system on April 12, 2012, and June 5, 2012,
21 respectively. And I would tender Ms. Jones for cross
22 examination.

1 JUDGE ALBERS: All right. Mr. Kennedy?

2 CROSS EXAMINATION

3 BY MR. KENNEDY:

4 Q. Good late afternoon, Ms. Jones. My name is
5 Chris Kennedy. I am one of the lawyers for Ameren.

6 I would like to refer you to your
7 rebuttal testimony, ICC Staff Exhibit 12.0. I am
8 only going to be talking about your rebuttal
9 testimony during this examination.

10 Specifically, I want to talk with you
11 about your discussion of your adjustment starting on
12 page 2 for the liability for accrued vacation pay.
13 Now, as I understand it, you sponsor Staff's proposal
14 to treat the liability for accrued vacation pay as an
15 operating reserve and deduct it from rate base,
16 correct?

17 A. Yes.

18 Q. I would like to spend just a few moments on
19 the Commission's prior treatment of this adjustment
20 that you propose.

21 A. Yes.

22 Q. You did not propose this adjustment in

1 direct testimony, correct?

2 A. No, I did not.

3 Q. You are adopting the adjustment proposed by
4 Mr. Effron and Mr. Smith in their direct testimonies?

5 A. Yes.

6 Q. And you cite one prior Commission decision
7 in your rebuttal testimony, the recent Order in the
8 ComEd formula rate docket, Docket Number 11-0721,
9 correct?

10 A. Correct.

11 Q. And that's the only Commission decision
12 that you cite?

13 A. Yes.

14 Q. And you don't cite any prior Ameren dockets
15 where this adjustment has been adopted?

16 A. I do not.

17 Q. And to the best of your knowledge the
18 Commission hasn't adopted this adjustment in a prior
19 Ameren rate case, gas or electric?

20 A. To the best of my knowledge, no.

21 Q. And you are not aware of any other
22 Commission opinions that have adopted this

1 adjustment?

2 A. Nothing except --

3 Q. Except the recent ComEd Order, correct?

4 A. Yes.

5 Q. Now, on lines 44 and 45, if I can direct

6 you to those lines, you state there that "The accrued

7 vacation liability balance represents a source of

8 non-investor supplied capital that should be deducted

9 from rate base, net of related ADIT." Did I read

10 that correctly?

11 A. Yes.

12 MR. OLIVERO: Can I just object for a second or

13 just ask for a point of clarification? That's not

14 the entire sentence, correct?

15 MR. KENNEDY: I believe I read the entire

16 sentence. If I didn't, I can re-read it.

17 MR. OLIVERO: I thought you stopped at rate

18 base.

19 MR. KENNEDY: No, I corrected.

20 MR. OLIVERO: I am sorry. I may have --

21 BY MR. KENNEDY:

22 Q. Let me ask again just so it is clear. The

1 sentence in your testimony reads, "The accrued
2 vacation liability balance represents a source of
3 non-investor supplied capital that should be deducted
4 from rate base, net of related ADIT"?

5 A. Yes.

6 Q. Now, as I understand it, the accrued
7 liability is a source of non-investor supplied
8 capital because of the lag between the time of the
9 accrual and the time of the payment?

10 A. Repeat the question, please.

11 Q. As I understand your testimony, you are
12 treating the vacation liability balance as a source
13 of non-investor supplied capital that should be
14 deducted from rate base because of the timing, the
15 book timing difference, between the time of the
16 accrual and the time of the cash payment?

17 A. Well, the book cash timing refers to the
18 ADIT component. But I am considering it a source of
19 non-investor supplied capital because it is based on
20 funds that are being supplied by ratepayers.

21 Q. Okay. Well, let's talk first about the
22 timing and then we can talk later about the ratepayer

1 supplied funds. You would agree that an accrual, any
2 accrual, is a recording on expense where the actual
3 cash disbursement to pay the expense takes place at
4 some future point in time?

5 A. Yes.

6 Q. So for accruals there will always be a lag
7 between the time the expense is accrued and the time
8 the expense is paid, generally speaking?

9 A. Generally speaking, yes.

10 Q. And you are not here today to testify that
11 Ameren's method of accruing vacation pay was not a
12 properly recorded expense, correct?

13 A. Correct.

14 Q. And you are not here to testify that their
15 method of accruing vacation pay was not in accordance
16 with Generally Accepted Accounting Principles,
17 correct?

18 A. Correct.

19 Q. Now, to go back to the issue of
20 non-investor supplied capital, would you agree that
21 for a liability balance to represent a source of
22 non-investor supplied capital, the assumption is that

1 the utility receives the capital through rates before
2 it has paid the expense?

3 A. Yes.

4 Q. Now, with that assumption, in our case
5 vacation pay for 2010 was accrued an expense by AIC
6 in 2010 or some amount of vacation pay was accrued an
7 expense to 2010?

8 A. Yes.

9 Q. And according to Mr. Effron's direct
10 testimony which you would have read, there is
11 approximately a one-year lag between the accrual of
12 vacation pay expense and the actual cash
13 disbursement, is that your understanding?

14 A. That was his testimony, yes.

15 Q. And you don't have any facts before you
16 that shows that he is incorrect in that one-year lag
17 period?

18 A. I do not.

19 Q. So vacation pay that would have accrued
20 during 2010 was paid in 2011, correct?

21 A. Not necessarily all of it.

22 Q. But assuming that there is a one-year lag

1 or that there is generally a one-year lag for the
2 payment of vacation pay, for vacation pay that was
3 accrued in 2010 the assumption is that it was paid in
4 2011; that would be the one-year lag, correct?

5 Well, let me ask you this question
6 then -- or I will wait for your answer.

7 A. Generally, one would expect that vacation
8 pay would be paid the following year.

9 Q. And there is no evidence in this case that
10 the lag in payment for vacation pay was longer than
11 one year?

12 A. There is nothing in the record to that
13 effect, no.

14 Q. Now, this proceeding was filed in January
15 2012, correct?

16 A. I believe so, January or February.

17 Q. Well, subject to check I will represent
18 that it was filed in January, the filing was January
19 2012.

20 JUDGE ALBERS: Would you speak up a little bit,
21 too?

22 A. Okay.

1 Q. So assuming a one-year lag for the payment
2 of the expense, any vacation pay that was accrued in
3 2010 would have been paid out in 2011 before this
4 case was filed, correct?

5 A. Generally speaking, yes.

6 Q. And generally speaking any vacation pay
7 that accrued in 2010 would have been paid before
8 rates for this proceeding would go into effect in the
9 late fall of 2012 with the assumption that it was
10 paid in 2011?

11 A. Would you repeat the question, please?

12 Q. Assuming the one-year lag between the
13 accrual of the vacation expense and the payment of
14 the vacation expense, any vacation expense that
15 accrued in 2010 would have been paid in 2011 before
16 rates from this proceeding go into effect near the
17 end of 2012?

18 A. Yes.

19 Q. So by the time that AIC has received cash
20 from ratepayers from vacation expense that accrued in
21 2010, that expense that had accrued in 2010 should
22 have already been paid out?

1 A. That's true, but it is an ongoing accrual.

2 Q. But for purposes of the vacation expense
3 that accrued in 2010 and was paid out in 2011, that
4 expense would have been paid out before we receive --
5 before Ameren receives cash in rates from that 2010
6 accrued expense?

7 A. For the particular expense for 2010, yes.

8 Q. So there is a lag between the time AIC pays
9 out vacation pay and the time that AIC receives the
10 accrued expense in rates for that particular year
11 2010 that we are talking about?

12 A. Yes.

13 Q. Now, with the assumption that AIC has
14 already spent the vacation expense that accrued in
15 2010 by the time it receives the accrued expense in
16 rates, then would you agree that there is no free
17 source of ratepayer funds to finance rate base
18 related to that expense?

19 A. As I said previously, this is an ongoing
20 accrual. The same set of circumstances happens every
21 year.

22 Q. And when you say happens every year, is it

1 your understanding that at some time at the beginning
2 of each year, for instance, an accrual would be made
3 for vacation pay? So, for instance, in 2010 there
4 was an accrual made for vacation pay that was paid
5 out sometime in 2011 during that one-year lag and
6 also in 2011 there would have been a new accrual for
7 vacation pay earned during 2011 that would have been
8 paid out in 2012, correct?

9 A. Yes.

10 Q. What I would like to focus on is the
11 accrual that was made in 2010 that was paid out in
12 2011. Related to that accrual that was paid in 2011,
13 there would be a lag between the time that Ameren
14 pays that cash and the time that it would have
15 received cash related to that expense in rates based
16 on the fact that we have a 2010 test year?

17 A. Repeat the question, please.

18 Q. For the vacation expense that's accrued in
19 2010 that's paid out in 2011, with rates from this
20 proceeding going into effect at the end of 2012,
21 there is a lag between the time when Ameren pays the
22 expense in 2011 and then the time that it receives

1 any cash in rates at the end of 2012 related to 2010
2 expenses?

3 A. Yes, specifically to what you described.
4 But, as I said, they have an ongoing accrual for
5 this.

6 Q. But specific to the accrual that occurs in
7 2010 that's paid out in 2011, that accrual, you agree
8 with that statement, correct?

9 A. Yes.

10 Q. I would like to talk -- I would like to
11 direct you to your lines 50 to 53 in your rebuttal
12 testimony.

13 A. Yes.

14 Q. In those lines it says, "The resulting tax
15 debit balances included in the Company's rate base,
16 both Mr. Effron and Mr. Smith posit, that if an ADIT
17 debit balance is included in rate base, the related
18 accrued liability should be included in the operating
19 reserves deducted from rate base."

20 Did I read that correctly, Ms. Jones?

21 A. Yes.

22 Q. So is -- the assumption that can be drawn

1 from that statement, that if ADIT did not include the
2 ADIT debit balance in rate base, then the related
3 accrued liability should not be included as well?

4 A. Are you asking me if that is the assumption
5 or if that is my position?

6 Q. I am asking if that's the assumption
7 underlining the opinion of Mr. Effron and Mr. Smith
8 that you quoted there.

9 MR. OLIVERO: Your Honor, I am going to object
10 as to what she would know what their assumption was.
11 I mean, I think she just says that that's what they
12 stated.

13 BY MR. KENNEDY: Well, if Ms. Jones didn't
14 adopt that opinion, she can say that. If she just
15 copied it, that's fine.

16 Q. I mean, do you believe that assumption to
17 be true as well or do you not believe that assumption
18 to be true? Lines 50 to 53 -- 51 to 53.

19 A. Yes.

20 Q. So assuming that -- if the theory is that
21 ADIT debit balance, if that is included in rate base,
22 that the related accrued liability should also be

1 included, isn't the flip side of that argument that
2 if the ADIT debit balance is not included in rate
3 base, then the related liability should not be
4 included in rate base, given that the premise for the
5 original statement was that the ADIT debit balance
6 was included in rate base?

7 A. That is what one would infer from this and
8 the way you presented it. But there are not -- there
9 should not be a picking and choosing of which debit
10 balances should be included.

11 Q. So then your opinion would be that it
12 doesn't matter if the Company included the ADIT debit
13 balance in rate base from the outset. If they hadn't
14 included it, you would have still made the adjustment
15 to remove the liability from rate base, is that your
16 testimony today?

17 A. Yes.

18 Q. I would like to go to lines 71 to 72. I
19 just have a couple more questions.

20 You state there, "In order to maintain
21 consistency in the formula rate filings, AIC's
22 accrued vacation pay should be treated similarly,"

1 and that's in reference to the ComEd Order that you
2 quote about, correct?

3 A. Yes.

4 Q. So is it your opinion that the Commission
5 should treat AIC the same way it treated ComEd in its
6 final Order in Docket 11-0721 in every instance?

7 MR. OLIVERO: Your Honor, I guess I would ask
8 for some clarification in terms of what you mean by
9 "every instance." I mean, can you give examples of
10 what you are talking about as opposed to just the
11 accrued vacation pay?

12 Q. I can clarify in every instance. Let me
13 rephrase the question.

14 In your opinion -- is it your opinion
15 that the Commission should treat AIC the same way it
16 treated ComEd in its final Order in Docket Number
17 11-0721 in every instance where it is the same
18 contested issue? I am just trying to get at if
19 that's what she meant by that statement.

20 A. If the facts --

21 MR. OLIVERO: Your Honor, I guess I am going to
22 go back and object. I mean, I think she can testify

1 as to what she had focused on in terms of her
2 testimony. I don't know that she has looked at all
3 the other issues in terms of whether or not the Order
4 should be consistent from the ComEd to the Ameren
5 docket.

6 MR. KENNEDY: Her opinion, at least in these
7 two lines, is that AIC's vacation pay should be
8 treated the same as ComEd's for the purpose of
9 maintaining consistency in formula rate filings. I
10 am attempting to ask if it is limited to a case by
11 case basis, perhaps, or if she has that feeling
12 across the board for any issue that would be
13 contested and the same between the utilities.

14 MR. OLIVERO: And I guess if you read the
15 sentence, it says in Order to maintain consistency in
16 the formula rate filings, accrued vacation pay should
17 be treated similarly. I don't know that she really
18 has the ability to start talking about any of the
19 other issues beyond what she focused on in her
20 testimony.

21 MR. KENNEDY: Well, since she wrote the
22 sentence, I am asking her to tell me what she meant

1 by it.

2 MR. OLIVERO: All right.

3 MR. KENNEDY: I think she, of anybody in the
4 room, would be the appropriate person to answer that
5 question.

6 JUDGE ALBERS: I will allow the question.

7 THE WITNESS: Would you repeat the question?

8 BY MR. KENNEDY:

9 Q. Sure. Is it your opinion, based on this
10 sentence, that the Commission should treat AIC the
11 same way it has treated ComEd in the recent Order in
12 Docket Number 11-0721 in every instance where there
13 is a contested issue that was the same between the
14 two dockets? Is that what you meant when you wrote
15 this sentence?

16 A. In every issue where the facts are the
17 same, yes, I believe they should be treated
18 consistently.

19 Q. But you would agree then that the
20 Commission should judge each issue based on the facts
21 in the record in each proceeding, correct?

22 A. Yes.

1 Q. And the record for one utility could lead
2 to a result on a contested issue that's different
3 from the result reached for another utility that has
4 a different record?

5 A. That would be speculation, but I would
6 assume so.

7 Q. But you would want the Commission to
8 treat -- you would want the Commission to consider
9 the contested issue based on the record for that
10 particular proceeding, correct?

11 A. Correct.

12 Q. And in this proceeding isn't it true that
13 Staff witness Mr. Tolsdorf is proposing an adjustment
14 to remove contributions to economic development
15 organizations which is an adjustment that Staff lost
16 in the ComEd rate proceeding?

17 MR. OLIVERO: Your Honor, I am going to object.
18 Mr. Tolsdorf is going to be testifying. I think it
19 is more appropriate for him to be addressing
20 questions, I guess, related to the ComEd Order and
21 consistency rather than Ms. Jones.

22 MR. KENNEDY: I will withdraw that question and

1 ask Mr. Tolsdorf.

2 JUDGE ALBERS: Yeah, that's a good idea.

3 BY MR. KENNEDY:

4 Q. And, Ms. Jones, you don't believe that if
5 you felt the Commission was wrong on the merits the
6 first time, that it shouldn't be wrong on the merits
7 the second time just for the sake of consistency?
8 That's not your opinion, is it?

9 A. No.

10 MR. KENNEDY: That's all the questions I have.

11 JUDGE ALBERS: Okay. I think Mr. Kennedy
12 covered some of the ground I was going to cover, but
13 let me just ask one, one or two questions, of you.

14 EXAMINATION

15 BY JUDGE ALBERS:

16 Q. Were you in the room when I asked
17 Mr. Stafford questions regarding the vacation
18 accrual?

19 A. I think I was, but I don't remember all of
20 them.

21 Q. Okay. Well, that might make it difficult
22 to ask you if you agree now with his answers.

1 MR. KENNEDY: Do you want to have the court
2 reporter read back the questions and answers?

3 JUDGE ALBERS: That might take more time than
4 it would be worth. Let me look back in my notes for
5 Mr. Stafford's responses.

6 (Pause.)

7 Okay. Let me ask you this then.

8 Q. I believe Mr. Stafford indicated that the
9 account that is debited in AIC's journal entry to
10 record vacation pay accrual is Account 920, AG Labor
11 or Salaries, and that that account is included in
12 AIC's determination of its overall revenue
13 requirement. Would you agree with that statement?

14 A. Yes.

15 Q. And do you believe that that expense has
16 been removed -- I'm sorry, strike that.

17 Do you believe that that accrual
18 expense included in the overall revenue requirement
19 has been removed by any other adjustment?

20 A. Not that I am aware of.

21 JUDGE ALBERS: Okay. I think that's all I
22 have. Thank you.

1 Do you have any redirect?

2 MR. OLIVERO: If we could have just a few
3 minutes, Your Honor, we might have just a couple
4 questions.

5 (Whereupon the hearing was in a
6 short recess.)

7 JUDGE ALBERS: On the record.

8 Mr. Kennedy, did you have a follow-up?

9 MR. KENNEDY: No. No, Your Honor.

10 JUDGE ALBERS: All right. Any redirect?

11 MR. OLIVERO: One question, Your Honor.

12 JUDGE ALBERS: Okay.

13 REDIRECT EXAMINATION

14 BY MR. OLIVERO:

15 Q. Ms. Jones, you were asked by Company
16 counsel regarding the consistency between the
17 Commonwealth Edison Order and the Ameren docket. Are
18 you aware of any differences between the facts
19 regarding accrued vacation pay from the Commonwealth
20 Edison docket as opposed to the Ameren docket that
21 would warrant a different regulatory treatment?

22 A. No.

1 MR. OLIVERO: That's all we would have, Your
2 Honor.

3 JUDGE ALBERS: Recross?

4 MR. KENNEDY: Yes.

5 RECROSS EXAMINATION

6 BY MR. KENNEDY:

7 Q. Ms. Jones, did you review all the testimony
8 in the ComEd docket on this issue? In the formula
9 rate docket for ComEd did you review the testimony of
10 every witness that sponsored testimony on the issue
11 of vacation accrual deduction from rate base?

12 A. I think I did, yes.

13 Q. Which witnesses were those?

14 A. There was Mr. Effron. It was Mr. Brosch, I
15 believe, Mr. Fruehe for the company, Mr. Bridal for
16 Staff.

17 Q. And did you also review all of the briefing
18 that was filed by the parties on that issue in that
19 docket?

20 A. I don't know if I saw all of it. I saw
21 some of it.

22 Q. As you sit here today, your testimony is

1 that there is not one fact difference between the two
2 dockets on this issue?

3 MR. OLIVERO: I am going to object, Your Honor.
4 I don't think that we are limiting as to there wasn't
5 one fact that was different, but.

6 MR. KENNEDY: I believe her testimony is that
7 there was no fact difference.

8 MR. OLIVERO: There were no differences. I
9 don't think she said -- we didn't say facts.

10 BY MR. KENNEDY:

11 Q. In your opinion -- is your testimony today
12 that there is not one fact that differs between the
13 two records on this issue?

14 MR. OLIVERO: To warrant a different regulatory
15 treatment was the question that was asked earlier.

16 JUDGE ALBERS: Let him ask the question.

17 A. I don't think my testimony makes any such
18 statement.

19 MR. KENNEDY: That's all I have.

20 JUDGE ALBERS: Okay. All right. Any objection
21 then to Ms. Jones' testimony that's been previously
22 identified?

1 MR. KENNEDY: No objection.

2 JUDGE ALBERS: All right. Then the exhibits

3 are admitted as they appear on e-Docket.

4 (Whereupon ICC Staff Exhibits

5 3.0 and 12.0 were admitted into

6 evidence.)

7 JUDGE ALBERS: Thank you, Ms. Jones, and the

8 next witness is Mr. Tolsdorf.

9 MR. OLIVERO: Yes.

10 (Witness excused.)

11 Are you ready, Your Honor?

12 JUDGE ALBERS: Yes, please.

13 MR. OLIVERO: Thank you.

14 SCOTT TOLSDORF

15 called as a witness on behalf of Staff of the

16 Illinois Commerce Commission, having been first duly

17 sworn, was examined and testified as follows:

18 DIRECT EXAMINATION

19 BY MR. OLIVERO:

20 Q. Good afternoon, almost evening,

21 Mr. Tolsdorf. Would you please state your full name

22 and spell your last name for the record.

1 A. My name is Scott Tolsdorf, T-O-L-S-D-O-R-F.

2 Q. By whom are you employed?

3 A. I am employed by the Illinois Commerce

4 Commission.

5 Q. What is your position at the Illinois

6 Commerce Commission?

7 A. I am an accountant in the Accounting

8 Department of the Financial Analysis Division.

9 Q. And, Mr. Tolsdorf, have you prepared

10 written testimony for purposes of this proceeding?

11 A. Yes, I have.

12 Q. And do you have before you a document which

13 has been marked for identification as ICC Staff

14 Exhibit 6.0 entitled Direct Testimony of Scott

15 Tolsdorf which consists of a cover page, a table of

16 contents, eleven pages of narrative testimony and

17 Schedules 6.01 through 6.03?

18 A. Yes, I do.

19 Q. And are those true and correct copies of

20 the direct testimony that you have prepared for this

21 proceeding?

22 A. Yes, they are.

1 Q. And do you also have before you a document
2 which has been marked for identification as ICC Staff
3 Exhibit 15.0 entitled Rebuttal Testimony of Scott
4 Tolsdorf which consists of a cover page, a table of
5 contents, 15 pages of narrative testimony and
6 Schedules 15.01 through 15.02?

7 A. Yes, I do.

8 Q. And are those true and correct copies of
9 the rebuttal testimony that you prepared for this
10 proceeding?

11 A. Yes.

12 Q. And, Mr. Tolsdorf, do you have any
13 corrections to make to either your prepared direct or
14 rebuttal testimony?

15 A. Yes, I do.

16 Q. And what would those be?

17 A. Schedule 15.02, when it was filed on
18 e-Docket the last three lines of Schedule 15.02, page
19 2, did not print out and therefore were not filed.
20 However, those were in the Excel file that was
21 provided to the Company, so I don't believe there is
22 anything that the Company doesn't already have. But

1 I would like to get those last three lines of that
2 schedule.

3 Q. And just for clarification I have handed
4 counsel a copy of a Schedule 15.02R which I think
5 then shows the complete -- on page 2 is where the
6 problem was. I think we cut off at line 8 and there
7 was actually 9, 10 and 11?

8 A. Correct.

9 Q. And, again, as you indicated there is no
10 change in terms of what it signified, but it was just
11 cut off?

12 A. Correct.

13 JUDGE ALBERS: Given that, could you submit a
14 revised exhibit?

15 MR. OLIVERO: We will submit a revised, just
16 that schedule, if it is all right.

17 JUDGE ALBERS: That's fine. Just 15.02.

18 BY MR. OLIVERO: 15.02R.

19 Q. And other than this correction is the
20 information contained in ICC Staff Exhibit 6.0 and
21 15.0 and the accompanying attachments or, I am sorry,
22 schedules, true and correct to the best of your

1 knowledge?

2 A. Yes, they are.

3 Q. And if you were asked the same questions
4 today, would the answers contained in your prepared
5 testimony be the same?

6 A. Yes, they would be.

7 MR. OLIVERO: Your Honor, at this time, subject
8 to cross examination, I would ask for admission into
9 the evidentiary record of Mr. Tolsdorf's prepared
10 direct testimony marked as ICC Staff Exhibit 6.0
11 including schedules as well as Mr. Tolsdorf's
12 prepared rebuttal testimony marked as ICC Staff
13 Exhibit 15.0 including schedules, with the caveat
14 that we will file the revised version of Schedule
15 15.02 probably by tomorrow.

16 JUDGE ALBERS: You will file it on e-Docket?

17 MR. OLIVERO: We will just file it on e-Docket,
18 correct. Thank you.

19 And I guess we will then tender
20 Mr. Tolsdorf for cross examination.

21 And, Your Honor, did you want a copy
22 of this tonight or does it matter?

1 JUDGE ALBERS: Are you going to have any
2 questions on it?

3 Okay. Then just e-file it then.
4 Thank you.

5 CROSS EXAMINATION

6 BY MR. KENNEDY:

7 Q. Good evening, Mr. Tolsdorf.

8 A. Good evening.

9 Q. My name is Chris Kennedy. I am company
10 counsel. I will be asking you some questions today.

11 In your testimony for this docket you
12 sponsored adjustments to move expenses based on
13 Sections 227 and 225, Sections 9-227 and 225 of the
14 Public Utilities Act, correct?

15 A. That's correct.

16 Q. I would like to talk first about your
17 adjustment to remove donations under Section 9-227.

18 A. Okay.

19 Q. Specifically, I want to focus on your
20 adjustment to remove donations to organizations that
21 you refer to as economic development organizations, a
22 list of which appears on Schedule 15.1, page 2 of 3.

1 You don't need to look at the schedule, but that's
2 the schedule with the list of organizations we are
3 talking about.

4 I would like to refer you to page 4 of
5 your rebuttal testimony, ICC Staff Exhibit 15.0.

6 A. Okay.

7 Q. You cite there as one reason for
8 disallowing these corrections to these organizations
9 the Commission's history of disallowing contributions
10 to these organizations, correct?

11 A. Correct.

12 Q. And you refer in your rebuttal at lines 88
13 to 90 to a list of dockets that you had cited in your
14 direct testimony where the Commission had previously
15 excluded these types of donations, correct?

16 A. That's correct.

17 Q. I would like to talk to you about one
18 decision that you don't mention anywhere in your
19 testimony. You are familiar with the Commission's
20 recent decision in the ComEd formula rate proceeding,
21 correct?

22 A. Yes, I am.

1 Q. That's docket -- for the record, Docket
2 Number 11-0721. You were a witness in that
3 proceeding, correct?

4 A. Yes, I was.

5 Q. And you sponsored an adjustment in that
6 proceeding to remove donations to economic
7 development organizations, correct?

8 A. That's correct.

9 Q. In that decision that came out in late May
10 of 2012 the Commission did not accept your
11 adjustment, correct?

12 A. That's correct.

13 Q. And it found that donations to economic
14 development organizations meet the criteria under
15 Section 9-227 in that Order?

16 A. That's what the Commission said in that
17 Order.

18 Q. But that's what the Order said?

19 A. That's what the Order said.

20 Q. Do you have a copy of that Order handy?

21 A. I have one page of that Order handy.

22 Q. Is it perhaps page 98?

1 A. It is.

2 Q. That's the page I would like to talk to you
3 about. Do you need a copy, counsel?

4 MR. OLIVERO: I do. I can maybe just go up and
5 look at his.

6 BY MR. KENNEDY: Yeah, if you wouldn't mind. I
7 was going to ask him about one sentence.

8 Q. On page 98 there the Commission found that
9 donations to economic development organizations,
10 quote, contribute to the general good of the public.
11 Do you see where that is?

12 A. I do.

13 Q. Now, as we talked about, that decision was
14 issued in late May, May 29, correct?

15 A. That's correct.

16 Q. And your rebuttal testimony was filed a
17 week later on June 5?

18 A. That's correct.

19 Q. But in that testimony you don't mention
20 this decision, correct?

21 A. I don't mention that decision, no.

22 Q. Now, I would like to ask you about ComEd's

1 prior rate Orders, the '07 and '10 rate Orders. I
2 believe it is your testimony from that proceeding
3 that the Commission also in those dockets allowed
4 donations to economic development organizations to be
5 recovered in rates for ComEd, correct?

6 A. I am sorry, can you direct me to my
7 testimony where I said that?

8 MR. OLIVERO: Chris, are you talking about his
9 testimony in another docket?

10 MR. KENNEDY: I am talking about his testimony
11 at the hearing in the ComEd rate proceeding.

12 MR. OLIVERO: The 11-0721?

13 MR. KENNEDY: The 11-0721.

14 THE WITNESS: Oh, I am sorry, repeat the
15 question. I thought you were talking about 10-0467.

16 BY MR. KENNEDY:

17 Q. Maybe I won't need to show you testimony,
18 but I just want to generally know, did you testify in
19 the ComEd docket that the Commission had previously
20 allowed donations to economic development
21 organizations in ComEd's two prior rate cases before
22 the formula rate proceeding? Is that your

1 recollection?

2 A. I testified that the Commission had
3 traditionally disallowed these, but they had not -- I
4 didn't have a ComEd Order where they had disallowed
5 them. The Commission had disallowed community
6 economic development organization donations in
7 several other dockets, but I didn't cite one where
8 they had been disallowed in a ComEd docket.

9 Q. Correct, but in your testimony there -- and
10 I can refresh your recollection if you want -- is
11 that ComEd did recover in those two dockets prior to
12 the formula rate docket contributions to economic
13 development organizations?

14 A. Yes, that is correct.

15 Q. Thank you. But in talking about the
16 history of Commission decisions on the issue, you
17 didn't mention either of those prior ComEd dockets...

18 MR. OLIVERO: Asked and answered, Your Honor.

19 Q. ..in this proceeding?

20 MR. OLIVERO: I thought he already answered
21 that question.

22 JUDGE ALBERS: Well, the question is allowed.

1 I don't think I heard it as related to this
2 proceeding, so the question is allowed.

3 BY MR. KENNEDY:

4 Q. Yeah, I simply want to know if in your
5 testimony of talking about prior Commission
6 decisions -- we have established you didn't mention
7 the formula rate decision, but you also didn't
8 mention the prior two ComEd rate Orders, correct?

9 A. Correct.

10 Q. I would like to talk to you a little bit
11 now about the other rationale that you cite in your
12 testimony, namely the tax exempt status of the
13 organization. Do you remember that testimony?

14 A. I do.

15 Q. That's a rationale that you presented for
16 the first time in rebuttal, correct?

17 A. That's correct.

18 Q. And it is my understanding that your
19 testimony says that the economic development
20 organizations, the ones that you list in your
21 Schedule 15.1, page 2 of 3, that these are not
22 considered tax exempt under Section 501(c)(3) of the

1 Internal Revenue Code?

2 A. That's correct.

3 Q. I would like to show you, if I can approach
4 the witness, a response to a data request that you
5 sponsored.

6 JUDGE ALBERS: That is a cross exhibit?

7 MR. KENNEDY: Yes, this is going to be Ameren
8 Cross Exhibit 10.

9 (Whereupon Ameren Cross Exhibit
10 10 was marked for purposes of
11 identification as of this date.)

12 BY MR. KENNEDY:

13 Q. Mr. Tolsdorf, do you recognize this
14 response as one that you submitted in this case?

15 A. Yes, I do.

16 Q. Would you please read the question and
17 answer into the record?

18 A. Sure. "Is it Mr. Tolsdorf's opinion that
19 Section 9-227 of the Public Utilities Act permits
20 utilities to recover in rates only those donations
21 made to organizations that are considered tax-exempt
22 organizations under Section 501(c)(3) of the Internal

1 Revenue Code?"

2 The response is, "It is Mr. TolSdorf's
3 position that only organizations that are considered
4 tax-exempt organizations under Section 501(c)(3) of
5 the Internal Revenue Code should be considered
6 charitable organizations by the Commission in
7 insuring compliance with Section 9-227 of the Public
8 Utilities Act."

9 Q. Now, you are familiar with Section 9-227,
10 correct?

11 A. Yes, I am.

12 Q. And you cited that, I believe, in your
13 direct testimony, that provision of the law?

14 A. I believe so.

15 Q. And you are familiar with the standard that
16 under Section 9-227 it is proper for the Commission
17 to consider as a utility operating expense donations
18 that are, quote, made for the public welfare or for
19 charitable, scientific, religious or educational
20 purposes?

21 A. I am sorry. Will you repeat that question?

22 Q. Is the standard under Section 9-227 that

1 the donation has to be made for the public welfare or
2 charitable, scientific, religious or educational
3 purposes?

4 A. Yes.

5 Q. And as I read your testimony, tell me if I
6 am wrong, your opinion is that in order for a
7 donation to be made for a, quote, charitable purpose
8 under that section of the law, it is your opinion
9 that it has to be made to a section -- to an
10 organization that's tax exempt under Section
11 501(c)(3)?

12 A. It is my opinion that the organization must
13 be charitable and made to a charitable organization
14 to receive recovery under Section 9-227.

15 Q. But in this data response you state that
16 only organizations that are considered tax exempt
17 under Section 501(c)(3) should be considered
18 charitable organizations, correct?

19 A. That's because Section 501(c)(3) designates
20 those types of organizations as charitable
21 organizations and donations to them are tax
22 deductible to the donors. Anything else are not tax

1 deductible to the donors. Donations to Section
2 501(c)(6) organizations are tax-exempt organizations,
3 but donations to them are not charitable and
4 therefore are not tax deductible to the donor.

5 Q. But what I asked before was, in order for
6 the donation to, quote, meet the charitable purpose
7 standard or prong of the Section 9-227, I believe
8 your testimony is it has to be made to a Section
9 501(c)(3) organization. If that's not your
10 testimony, then -- or if that's not your opinion --

11 A. Yes, and I state in my rebuttal that that
12 position is based -- was in rebuttal to Mr. Ogden's
13 position that the Company only gives to 501(c)(3)
14 organizations.

15 Q. But I am not asking about what you believe
16 the Company's position was. I am asking you if it is
17 your position that only organizations that qualify
18 for tax-exempt purpose under that particular
19 provision of Section 501(c)(3) are organizations that
20 donations to which can be considered recoverable
21 under Section 9-227.

22 A. In -- well, I would refer you to that same

1 page you referred me to in the 11-0721 docket where
2 the Commission said, "While it appears based upon the
3 CUB/City argument above that it is unusual for
4 charitable contributions which are tax deductible to
5 also be included in rates, the statute does allow for
6 such inclusion." To me that's saying that tax
7 deductible donations are allowed to be considered for
8 recovery.

9 My proposed disallowance are not tax
10 deductible donations.

11 Q. Well, maybe we are talking past each other
12 and maybe you just don't want to answer the question.
13 But what I am asking you, is that -- let me ask it
14 this way.

15 Do you think that organizations that
16 do not qualify for tax exemption under that
17 provision -- donations to organizations that don't
18 qualify under that provision of the law cannot be
19 recovered under that section of the Code, 9-227?

20 A. In my opinion they should not be.

21 Q. Okay. Thanks. That's what I was trying to
22 get at. Sorry for miscommunicating.

1 So your opinion is that if they are
2 tax exempt under Section 501(c)(6), they can't
3 recover -- those donations can't be recovered under
4 Section 9-227 of the Code?

5 A. I believe that 9-227 should be interpreted
6 narrowly and that non-charitable organizations should
7 not count as donations for recovery purposes.

8 Q. Do you agree with me that schools are not
9 considered tax exempt under Section 501(c)(3)?

10 A. I don't -- do you have a particular school
11 in mind?

12 Q. A high school, just your ordinary high
13 school.

14 A. I am not sure that that's the status of
15 high schools.

16 Q. So you are not -- okay. Do you know of the
17 tax exempt status of any public school?

18 A. I can't say as I do.

19 Q. So if under your theory if public schools
20 were not tax exempt under 501(c)(3), then donations
21 to public schools are no recoverable under Section
22 9-227 of the Act, is that what your testimony is?

1 A. Are you asking me if a donation to a school
2 which would presumably be for educational purposes,
3 if that school was not 501(c)(3), is that donation in
4 my opinion not allowable?

5 Q. Under that provision of the Code that you
6 want to narrowly construe, yes, that's my question.

7 A. I suppose I should have clarified I want to
8 narrowly define public welfare, but I believe a
9 donation to a school would qualify under 9-227
10 because it is educational.

11 Q. Well, I thought previously your testimony
12 was that Section 501(c)(3) went to the definition of
13 charitable under that provision. Now it goes to the
14 definition of public welfare?

15 A. Well, I don't believe schools are
16 technically charitable organizations, which is why
17 they are not 501(c)(3) organizations which seems to
18 be what you are implying.

19 Q. So then you agree that there are exceptions
20 to what we thought was a rule, a bright line rule,
21 that only 501(c)(3) organizations, donations to those
22 can be recovered; you agree there is at least one

1 exception?

2 MR. OLIVERO: Your Honor, I guess I am not
3 exactly sure that he had a bright line rule that
4 Mr. Kennedy is trying to, I guess, paint him with.

5 MR. KENNEDY: Well, that's what I am trying to
6 ask him.

7 JUDGE ALBERS: Well, I think I have my
8 understanding of Mr. Tolsdorf's testimony; you have
9 yours. Maybe Mr. Kennedy doesn't share the same
10 understanding. So to the extent he is trying to
11 flesh it out, to understand it, I will allow the
12 questions, but.

13 MR. KENNEDY: I will try to wrap it up.

14 JUDGE ALBERS: Well, you understand what I am
15 saying?

16 MR. KENNEDY: Yeah. Let me ask a more general
17 question.

18 JUDGE ALBERS: Okay.

19 BY MR. KENNEDY:

20 Q. Is it your testimony today then that
21 organizations that are not 501(c)(3) exempt,
22 donations to those organizations could be recoverable

1 under the Act, under that section of the Act?

2 A. It would be possible.

3 Q. Thank you. And you agree that Section

4 9-227 doesn't mention Section 501(c)(3) of the

5 Internal Revenue Code?

6 A. I agree.

7 Q. Can I direct you back to that page 98 of

8 the ComEd Order? And I apologize, I should have

9 brought you a copy.

10 MR. OLIVERO: Is it the same section that you

11 are citing to?

12 MR. KENNEDY: Yeah, the same page.

13 MR. OLIVERO: Same line?

14 MR. KENNEDY: It is a different line.

15 MR. OLIVERO: All right. Let me --

16 BY MR. KENNEDY:

17 Q. It states there in the Order, and I

18 apologize for not having a highlighted copy for you,

19 it says the term "public welfare" only means

20 contributing to the general good of the public. Do

21 you see that?

22 JUDGE ALBERS: About how far down on the page?

1 I see it, I am sorry.

2 MR. KENNEDY: I apologize for that.

3 JUDGE ALBERS: That's okay. I have got it on
4 e-Docket here and we are trying to follow along.

5 BY MR. KENNEDY:

6 Q. The sentence reads the term "public
7 welfare" only means contributing to the general good
8 of the public, correct?

9 A. Yes.

10 Q. And do you take that as the way the
11 Commission defined public welfare for the purpose of
12 that contested issue in that docket?

13 A. Would you repeat that?

14 Q. Is that the way the Commission defined
15 public welfare? Is that your understanding, that
16 term?

17 MR. OLIVERO: Your Honor, I guess I am going to
18 object. I mean, the Order, I guess, speaks for
19 itself. I am not sure it necessarily had definition.

20 BY MR. KENNEDY: I will withdraw the question.

21 Q. Based on that sentence in the Order of the
22 term public welfare meaning contributing to the

1 general good of the public, is it your opinion that
2 an organization hypothetically whose mission is to
3 improve the business conditions in the community
4 would not be contributing to the, quote, general good
5 of the public?

6 A. It is my understanding that 501(c)(6)
7 organizations are promoting particular lines of
8 business and are prohibited from performing services
9 that help individual people. So I think it is hard
10 to say --

11 Q. Let me give you a specific example that
12 might help you. Say, for instance, a chamber of
13 commerce for a city is developing an industrial park
14 to attract new industry to the community and that
15 chamber of commerce is a 501(c)(6) organization. Is
16 it your opinion that that work that they are doing is
17 not contributing to the general good of the public?

18 A. I wouldn't necessarily say that.

19 Q. So you would say that it is contributing to
20 the general good of the public?

21 A. It could be.

22 Q. Would you consider an organization like a

1 chamber of commerce that's attracting new jobs to a
2 community as contributing to the general good of the
3 public?

4 A. Possibly, but that doesn't mean that those
5 donations should be recovered through rates.

6 Q. Well, I wasn't quite asking that question.
7 I was more asking, for instance, if the idea of
8 attracting new jobs to a community in general you
9 would not -- you would not disagree that that's
10 contributing to the general good of the public?

11 A. Generally speaking, yes.

12 Q. I would like to show you also another data
13 response, request AIC Staff 6.02. I believe this is
14 going to be Ameren Cross Exhibit 11.

15 JUDGE ALBERS: Yes.

16 (Whereupon Ameren Cross Exhibit
17 11 was marked for purposes of
18 identification as of this date.)

19 BY MR. KENNEDY:

20 Q. Mr. Tolsdorf, do you recognize this as the
21 response that you sponsored in this case?

22 A. Yes, I do.

1 Q. It is a request of AIC Staff Exhibit 6.02
2 for the record. Rather than read the whole request,
3 I am just going to focus on the response. It says
4 there, "Mr. Tolsdorf believes his proposed adjustment
5 in 11-0721 was sound and, further, Mr. Tolsdorf has
6 presented additional rationale for his proposed
7 adjustment in this proceeding," correct?

8 A. Correct.

9 Q. And in that response you are referring to
10 the fact that in your rebuttal testimony you sought
11 to disallow based on the federal tax status of the
12 organization, correct? That's the additional
13 rationale?

14 A. That's the additional rationale.

15 Q. And you would agree that the Commission
16 should decide contested issues based on the record in
17 the proceeding, correct?

18 A. That's correct.

19 Q. So it would be appropriate for the
20 Commission to reconsider its position on this issue
21 or an adjustment, especially if the parties present,
22 as you say, an additional rationale in the record?

1 A. Say that again, please.

2 Q. It would be appropriate for the Commission
3 to reconsider its position on an issue or an
4 adjustment, especially if the parties present, as you
5 say, an additional rationale in the record?

6 A. I would agree.

7 Q. I mean, that's what you are advocating in
8 this case, correct?

9 A. That's correct.

10 Q. I think I have asked you enough questions
11 about charitable contributions. If there are some
12 that I didn't ask that you would like me to ask, let
13 me know. But I would like to ask you, last
14 questions, about your Account 909 and 930.1
15 adjustments?

16 A. Okay.

17 Q. Can we first talk about Account 909?

18 A. Sure.

19 Q. Can we agree that in your rebuttal and
20 direct testimony you have three specific
21 disallowances for that account for particular ad and
22 script costs, and those three disallowances would be

1 for signage, for branding and for E-Store costs?

2 A. I would add to that list the unsupported
3 costs, but yes.

4 Q. But if we were talking about specific ad
5 and scripts that you discussed in your testimony, it
6 would be those three items?

7 A. Correct.

8 Q. I would like to talk a little bit about the
9 signage costs. It is your understanding that these
10 costs concern, at least in part, the replacement of a
11 lobby sign in the office and the placement of vehicle
12 magnets, correct?

13 A. Correct.

14 Q. And the sign and the magnets were replaced
15 to indicate the new company name and logo after the
16 merger, correct?

17 A. That's correct.

18 Q. And you are seeking to disallow those costs
19 related to those replacement signage costs, correct?

20 A. Because they are duplicative, yes.

21 Q. Is it your opinion that it was imprudent
22 for AIC to update the lobby sign and vehicle magnets

1 after the merger?

2 A. It is my opinion that it is inappropriate
3 to cause ratepayers to pay for an expense twice
4 simply because the Company decided to change its
5 name.

6 Q. But you would agree that it is a prudent
7 operating expense for the Company to update the sign
8 and magnets with the new company name, correct?

9 A. The Peoria office lobby sign, which has no
10 information whatsoever, doesn't seem to be a
11 reasonable expense. In my opinion if a person is
12 viewing that sign, they are in the Peoria Ameren
13 office and probably know where they are.

14 Q. So you think it would be more appropriate
15 than -- or more prudent for the Company to continue
16 to use the old signs with the old legacy company
17 names, that's your testimony?

18 MR. OLIVERO: Objection, argumentative, Your
19 Honor.

20 MR. KENNEDY: I asked him if he considered it a
21 prudent operating expense to update the signage after
22 the merger, and he said it wasn't. So I am asking

1 him if that's actually his testimony.

2 JUDGE ALBERS: Objection is sustained.

3 BY MR. KENNEDY:

4 Q. So then your opinion is that it wasn't
5 reasonable for AIC to update these science with the
6 new name, that's your testimony?

7 A. My testimony is it is unreasonable to ask
8 ratepayers to pay for it.

9 Q. But not unreasonable for the Company to
10 incur the expense to update the signs?

11 A. The Company is allowed to expend whatever
12 they want, but ratepayer recovery requires certain
13 investigation.

14 Q. Do you agree it is important for customers
15 that AIC identify itself by the new company name?

16 A. I don't know how important that is. I
17 mean, I assume when people pay their bills on a
18 monthly basis, they know who they are writing checks
19 to.

20 Q. But I am not talking about paying their
21 bills. I am talking about the Company updating their
22 signs on its offices and cars. That's what I am

1 referring to. You don't think it is important to do
2 that?

3 A. I have not done any research on the value
4 of name recognition.

5 Q. If the sign was damaged or had to be
6 replaced for wear and tear, would you consider that a
7 reasonable and prudent operating expense to replace
8 the sign?

9 A. Which sign?

10 Q. The lobby sign.

11 A. Probably not.

12 Q. So if the sign had to be replaced for wear
13 and tear, you would also disallow that expense in
14 rates under this particular section of the Public
15 Utilities Act?

16 A. Yes.

17 MR. KENNEDY: I would like to show you another
18 data response. This is going to be a request of ICC
19 Staff 6.11. This will be Ameren Cross Exhibit 12.

20 JUDGE ALBERS: Is this on a topic other than
21 the signs? Is this next line of questioning on a
22 topic other than --

1 MR. KENNEDY: It relates to the signage
2 question. I am actually going to introduce three
3 responses at the same time to speed things up.

4 JUDGE ALBERS: I had a question I was going to
5 interject if I could.

6 MR. KENNEDY: Do you want to ask while I am
7 marking?

8 JUDGE ALBERS: Sure. Mr. Tolsdorf, do you know
9 what the sign in the Peoria office said beforehand,
10 what the old signage said?

11 THE WITNESS: No. I have seen a picture of the
12 new sign and it's a clear, I assume, glass, clear
13 which just says Ameren Illinois with no other
14 information in the lobby.

15 JUDGE ALBERS: In the lobby?

16 THE WITNESS: In the lobby of the Ameren
17 office.

18 JUDGE ALBERS: Okay. I am just trying to get a
19 better sense of the nature of the sign. And you
20 haven't seen the old sign or you haven't seen a
21 description of it, at least?

22 THE WITNESS: No, I have not seen the old sign.

1 BY MR. KENNEDY:

2 Q. It is the testimony, though, of Ameren
3 witness Mr. Ogden that the sign was updated to put
4 the new company name on the sign, correct?

5 A. That's what Mr. Ogden testified, yes.

6 Q. And you don't have any reason to disbelieve
7 that testimony?

8 A. That the sign was updated to show the
9 Company's new name, no, I have no reason to doubt
10 that.

11 JUDGE ALBERS: Off the record.

12 (Whereupon there was then had an
13 off-the-record discussion.)

14 (Whereupon Ameren Cross Exhibits
15 12, 13 and 14 were marked for
16 purposes of identification as of
17 this date.)

18 BY MR. KENNEDY:

19 Q. Mr. Tolsdorf, my gracious co-counsel
20 Mr. Sturtevant has handed you what has been marked
21 for identification as Ameren Cross Exhibit 12, 13 and
22 14. I represent to you that these are data responses

1 that you submitted in this docket, specifically
2 requests AIC Staff 6.11, 6.13 and 6.14. Have I got
3 that right? 6.11, 6.13 and 6.14. Is that what you
4 have in front of you?

5 A. Yes.

6 Q. And you prepared these responses, correct?

7 A. Yes, I did.

8 Q. Rather than go through all three, let me
9 ask you this general question. Is it your opinion in
10 these data responses that the costs to update the
11 signs, the magnets, are not recoverable because they
12 were the result of the Company's decision to merge
13 its legacy utilities? Is that a fair
14 characterization of those responses?

15 A. That and the fact that they didn't provide
16 any of the information allowable under Section 9-225.

17 Q. Correct, correct. Let me make sure that it
18 is clear that that's only one of the reasons that you
19 cite?

20 A. Yes.

21 Q. One of your opinions is that they shouldn't
22 recover these costs because they were the result of

1 the Company's decision to merge, correct?

2 A. Correct.

3 Q. And you are not a lawyer, correct,

4 Mr. Tolsdorf?

5 A. That is correct.

6 Q. Did you review any provisions of the Public

7 Utilities Act when coming up with this opinion?

8 A. Are you referring to sections of the Public

9 Utilities Act that deal with merger costs?

10 Q. Yes, that's correct. Did you look at that

11 provision when formulating this opinion at the time

12 you formulated it?

13 A. I had read that section, but I don't know

14 that I specifically went to their -- to that section

15 while I was preparing this disallowance.

16 Q. But you are not using as a basis for your

17 opinion your interpretation of that section, correct?

18 A. No.

19 Q. When formulating this opinion did you

20 review any of the -- did you review the Order in

21 Ameren's most recent gas rate case, Docket 11-0282,

22 for formulating this specific opinion about the

1 resulting merger?

2 A. No, I didn't.

3 Q. So you didn't read the Staff testimony or
4 the Order on the issue of merger costs in that
5 proceeding when formulating this opinion?

6 A. I don't believe so.

7 MR. KENNEDY: That's all the questions I have
8 on those particular data responses. I just have
9 maybe ten more minutes.

10 JUDGE ALBERS: Okay. I have the same question
11 about the vehicle magnets. Do you know what the old
12 is like compared to the new ones?

13 THE WITNESS: I don't know what they looked
14 like, but I asked and was told by the Company that
15 the only information on them is the web address for
16 the Company and the web address did not change from
17 the old signs to -- from the old magnets to the new
18 magnets. The only thing that changed on the magnets
19 was the Company's name and logo, and the only
20 information on the magnets was the Company's web
21 address which did not change.

22 JUDGE ALBERS: So it was AmerenCIPS' web

1 address and it went from that to like Ameren Illinois
2 with the same web address?

3 THE WITNESS: With the same web address.

4 JUDGE ALBERS: I just want to understand what
5 changed.

6 MR. KENNEDY: No, that's my understanding of
7 what we said as well, so. I can't be testifying.

8 JUDGE ALBERS: That's okay.

9 BY MR. KENNEDY:

10 Q. I want to ask you some general questions
11 about customer education that relate to your
12 adjustment for branding. It is not going to be
13 specific to those particular costs.

14 Do you agree that advertising dollars
15 concerning customer education can be an allowable
16 advertising expense under Section 9-225 generally
17 speaking?

18 A. They can be, yes.

19 Q. And you would agree that advertising
20 dollars that are spent to educate customers on issues
21 of reliability and safety would be good examples of
22 allowable advertising expense under that particular

1 section of the Act?

2 A. I believe they would be.

3 Q. Do you think it is important that customers
4 not be confused by the identity of the operating
5 company that's delivering their energy?

6 A. As I said before, I can't imagine that a
7 customer is confused when they write that monthly
8 check to their utility company who they are sending
9 it to.

10 Q. Well, that wasn't quite the question I
11 asked. The question I asked was, do you think it is
12 important that customers not be confused by the
13 identity of their utility that delivers their energy?
14 Do you think that they care about knowing a name or
15 is your testimony about that they don't care about
16 the name?

17 A. In my personal opinion I would think that
18 they probably don't care.

19 Q. Do you know the name of the company that
20 delivers your energy?

21 A. I do.

22 Q. Do you think it is important that customers

1 understand that Ameren Illinois is the new operating
2 company replacing the legacy utilities?

3 A. Sorry, could you repeat that?

4 Q. Do you think it is important that customers
5 understand that AIC is the new operating company that
6 delivers energy in Illinois for the legacy utilities'
7 service territories?

8 A. I can honestly say that working at the
9 Commission and during the merger, when I got my
10 Ameren bill I didn't notice.

11 Q. So at least with respect to one customer,
12 you specifically, you don't think it is important?

13 A. I don't think it is important.

14 Q. There has been some discussion or testimony
15 by other Intervenorors in this proceeding that the
16 branding dollars issue benefit Ameren's unregulated
17 affiliates. Are you familiar with that testimony at
18 all?

19 A. Repeat the question, please.

20 Q. There has been some testimony in this
21 proceeding by intervenor witnesses that the branding
22 dollars at issue benefit solely Ameren's unregulated

1 affiliates. And if you are not familiar with that
2 testimony, you can say you are not.

3 A. That doesn't sound familiar.

4 Q. Did you cite any evidence in your testimony
5 that the branding dollars issue benefitted Ameren's
6 unregulated affiliates? Is that an opinion that you
7 had?

8 A. Are you referring to my rebuttal testimony?

9 Q. I am just referring in general if you had
10 any testimony or if that was your opinion.

11 A. Was it my opinion that the branding
12 expenses benefit solely the Company's unregulated
13 affiliates?

14 Q. Correct. Is that your opinion?

15 A. I don't believe I made that statement nor
16 necessarily have that opinion.

17 Q. So as you sit here today you don't have
18 that opinion, correct?

19 A. I hadn't really thought about Ameren's
20 unregulated affiliates.

21 Q. Okay. That's all I have to talk about for
22 Account 909. I want to talk briefly, four or five

1 questions, on corporate sponsorships.

2 A. Okay.

3 Q. It is your understanding that Ameren books
4 corporate sponsorships to Account 930.1, correct?

5 A. That's correct.

6 Q. And you have made an adjustment in this
7 case to remove, let's say, almost all the expense
8 that the Company seeks to recover in rates?

9 A. I am adjusting all the corporate
10 sponsorships in that account that the Company didn't
11 already itself discount.

12 Q. Just so it is clear, Ameren removed during
13 the course of proceeding certain corporate
14 sponsorship costs specifically related to athletic
15 ticket events. Does that ring a bell?

16 A. Around 127,000, I believe.

17 Q. Besides those, all the other corporate
18 sponsorships in that account you are seeking to
19 remove?

20 A. Yes.

21 Q. Is it your testimony that corporate
22 sponsorship accounts should be excluded,

1 categorically excluded, or is that your opinion? If
2 you need to show me an exhibit, that's quite all
3 right.

4 A. I am looking at the Uniform System of
5 Accounts for Account 930.1 where it says that
6 "Properly includable in this account is the cost of
7 advertising activities on a local or national basis
8 of a good will or institutional nature which is
9 primarily designed to improve the image of the
10 utility or the industry." The corporate sponsorships
11 were all recorded in this account where it is
12 appropriate to record good will and institutional
13 advertising, as opposed to Account 909 which was
14 informational and instructional advertising. The
15 Company has provided no evidence whatsoever that the
16 corporate sponsorships are not good will,
17 institutional advertising.

18 Q. Do you know of any other Commission
19 decisions where -- so is it your testimony today that
20 all the expense in that account should be excluded
21 based on that definition of the account?

22 A. No. Actually, I believe I included some of

1 the costs in that account for the labor costs and --
2 I can't remember what the other costs were, but the
3 Company provided information about some of the other
4 costs within that account that I allowed.

5 Q. Is it your testimony that those costs were
6 not properly booked, based on that description?

7 A. No.

8 Q. So then you at least leave open the idea
9 that there could be costs that are booked to Account
10 930.1 that are properly recoverable under Section
11 9-225; that's a possibility at least? I mean, you
12 are allowing some in this case, so that's more than a
13 possibility, I would say.

14 A. Yes.

15 Q. Do you know of any examples, prior
16 Commission opinions, that have excluded corporate
17 sponsorship costs that are booked to Account 930.1?
18 You didn't cite any in your testimony, is why I
19 asked.

20 A. I am not aware of any, no.

21 Q. Did you make that adjustment in the ComEd
22 formula rate proceeding, given that you were the

1 advertising expense witness in the case?

2 A. I don't recall there being any corporate
3 sponsorship expenses in the ComEd case.

4 Q. Do you recall reviewing ComEd Account 930.1
5 in your review of the ComEd advertising expenses?

6 A. I don't particularly recall. I am sure I
7 probably did, but I don't remember doing that.

8 Q. So is it your testimony that ComEd didn't
9 include any corporate sponsorship costs in its case
10 or they did and --

11 A. They didn't come to my attention, no.

12 Q. So it is possible they did and you just
13 didn't know it?

14 A. It is possible.

15 Q. Mr. Ogden's surrebuttal, did you have a
16 chance to review his surrebuttal?

17 A. Yes, I did.

18 Q. He cites three examples on page -- do you
19 happen to have a copy with you?

20 A. I do.

21 Q. And I am just going to name three examples.
22 He mentions the Peoria Citizens for Economic

1 Opportunity - the Mitchell JJ Anderson Basketball
2 Camp, the Heart of Illinois Fair, and the Decatur
3 Park District Center - Singers in First Key; those
4 are the three examples he cites?

5 A. Which page of his surrebuttal?

6 Q. I knew you were going to ask that. Page 23
7 of 24. And did you review this before testifying
8 today?

9 A. Yes, I did.

10 Q. Based on your review of his testimony, is
11 it still your opinion that these particular corporate
12 sponsorship costs are not recoverable under Section
13 9-225?

14 A. Again, the Company provided no evidence
15 that these were not good will or institutional
16 advertising.

17 Q. So you are saying that all the evidence on
18 that page points to them being good will or
19 institutional advertising, is that your testimony?

20 A. I believe my testimony is that the Company
21 has provided no evidence to tell me what these are.

22 Q. Explain to me what -- so is your testimony

1 that there is no evidence there or that this evidence
2 that he has provided supports your opinion that they
3 are good will or institutional advertising? Are you
4 saying this is not any evidence at all?

5 A. I am saying this is not evidence of an
6 allowable expense under 9-225.

7 Q. Based on his surrebuttal testimony that you
8 read, can you explain to me why the expense to
9 Mitchell JJ Anderson Basketball Camp is not a
10 recoverable expense under Section 9-225, based on
11 that description?

12 MR. OLIVERO: Are you citing to something in
13 Mr. Ogden's testimony?

14 MR. KENNEDY: What I am asking him is -- he is
15 testifying that we didn't provide any evidence, and I
16 would like Mr. Tolsdorf to tell me why, based on the
17 evidence provided, that this particular corporate
18 sponsorship cost is not recoverable.

19 MR. OLIVERO: I guess I was just asking, is
20 that sponsorship, was that included in the testimony
21 of Mr. Ogden?

22 MR. KENNEDY: Yeah, I am referring specifically

1 to lines 464 to 471.

2 MR. OLIVERO: Okay. I am sorry. Thank you.

3 MR. KENNEDY: Apologies for that. It is late
4 in the day.

5 THE WITNESS: A. I would say that the evidence
6 provided on page 723 of Mr. Ogden's surrebuttal
7 testimony does not provide enough evidence to
8 determine what type of advertising that would be.

9 BY MR. KENNEDY:

10 Q. What more evidence would you like to see as
11 the witness who has been reviewing these accounts for
12 this case? You seem to have some idea of what you
13 would like to see; what is it?

14 A. I would like -- well, I would like to see
15 what advertisements were used in the Mitchell JJ
16 Anderson Basketball Camp. What particular
17 advertising message -- what Section 9-225 of the
18 Public Utilities Act was satisfied by the corporate
19 sponsorship to the Mitchell JJ Anderson Basketball
20 Camp.

21 Q. So is it your testimony that in order for a
22 company to recover corporate sponsorship costs, they

1 have to give to Staff a list of all the
2 advertisements that support every corporate
3 sponsorship cost that is included in Account 930 for
4 any given year?

5 A. It is my testimony the Company has to
6 provide support for the costs they seek to recover
7 through rates. I asked for support and was not given
8 anything that I could substantiate these costs.

9 Q. Did you send a data request to the Company
10 asking for all of the ads that were shown at the
11 corporate sponsorship events that were booked to
12 Account 930.1?

13 A. I sent a data request to ask for all of the
14 advertisements and scrips and invoices to support
15 those.

16 Q. And your testimony is that you haven't
17 received any of those advertisements and scripts
18 related to this particular account?

19 A. Not that would substantiate the particular
20 costs.

21 Q. So to take the second example, the Heart of
22 Illinois Fair, it would be your position that the

1 Company would have to provide review at some point on
2 its own initiative or in response to your discovery
3 requests all the advertisements that were shown at
4 that event in order to prove or meet your test that
5 the expense is recoverable?

6 A. They would have to give me something
7 besides just saying that they should be able to
8 recover this.

9 Q. Well, they provided you with a list of the
10 events and a list of the expenses that were charged
11 to that Account 930. Was that not sufficient
12 documentation?

13 A. They said they gave \$20,000 to the Rail
14 Charity Classic.

15 Q. Right.

16 A. I have no idea what type of advertising
17 that was.

18 Q. But --

19 A. They should have provided me something so
20 that I could say, yes, this meets 9-225 of the Act.
21 I was given nothing.

22 Q. So you would like to see perhaps a folder

1 that has every ad that was shown for every corporate
2 event that was sponsored in a particular year?

3 MR. OLIVERO: Your Honor, I am going to object.
4 I think this has been asked and answered, and I think
5 we are now going to the extreme of saying every ad.
6 I think he has already testified that he would like
7 to see something in order to substantiate the costs
8 under 9-225, so.

9 MR. KENNEDY: I will withdraw the question.

10 JUDGE ALBERS: All right.

11 MR. KENNEDY: That's all I have.

12 JUDGE ALBERS: Okay. Do you have any redirect?

13 MR. OLIVERO: Could I have just a brief moment?

14 JUDGE ALBERS: All right.

15 (Whereupon the hearing was in a
16 short recess.)

17 MR. OLIVERO: Your Honor, Staff would have no
18 redirect.

19 JUDGE ALBERS: Okay. As far as the Ameren
20 Cross Exhibits 10 through 14, would you like to move
21 for their admission?

22 MR. KENNEDY: Yes. Could I move for the

1 admission of Ameren Cross Exhibits 10 through 14,
2 please?

3 JUDGE ALBERS: Any objections?

4 MR. OLIVERO: No objection.

5 JUDGE ALBERS: Thank you.

6 (Whereupon Ameren Cross Exhibits
7 10, 11, 12, 13 and 14 were
8 admitted into evidence.)

9 JUDGE ALBERS: Any objection then to the
10 witness' testimony?

11 MR. KENNEDY: No, I have no objection and thank
12 the witness for staying late tonight.

13 JUDGE ALBERS: All right. Hearing no
14 objection, then Mr. Tolsdorf's previously identified
15 exhibits are admitted.

16 (Whereupon ICC Staff Exhibits
17 6.0 and 15.0 were admitted into
18 evidence.)

19 JUDGE ALBERS: Thank you, Mr. Tolsdorf.

20 (Witness excused.)

21 Do we have anything else today?

22 MR. OLIVERO: Actually, Your Honor, I was going

1 to ask for one favor.

2 JUDGE ALBERS: All right. Go ahead.

3 MR. OLIVERO: If you wouldn't mind if we put in
4 the testimony of Sam McClerren since the Company
5 waived him for tomorrow.

6 JUDGE ALBERS: That's fine.

7 MR. OLIVERO: Your Honor, Staff would move for
8 admission into the record a document marked as ICC
9 Staff Exhibit 4.0 entitled the Direct Testimony of
10 Samuel S. McClerren consisting of a cover page and 14
11 pages of narrative testimony and that was filed on
12 the e-Docket system April 12, 2012.

13 Staff would also move for admission
14 into the record of ICC Staff Exhibit 13.0 entitled
15 Rebuttal Testimony of Samuel S. McClerren consisting
16 of a cover page and five pages of narrative
17 testimony, and this was filed on the Commission's
18 e-Docket system on June 5, 2012.

19 Finally, Staff would move for
20 admission into the record of ICC Staff Exhibit 13.1
21 which is the affidavit of Samuel S. McClerren which
22 was filed on the Commission's e-Docket system on June

1 21, 2012.

2 JUDGE ALBERS: Any objection?

3 MR. KENNEDY: No objection.

4 JUDGE ALBERS: All right. Then those exhibits

5 are admitted.

6 (Whereupon ICC Staff Exhibits

7 4.0, 13.0 and 13.1 were admitted

8 into evidence.)

9 JUDGE ALBERS: Anything else for today?

10 MR. KENNEDY: Not on the record.

11 JUDGE ALBERS: Not on the record, all right.

12 MR. STURTEVANT: Are we starting at nine clock

13 tomorrow, Your Honor?

14 JUDGE ALBERS: Yes. Just a reminder we will

15 break at 10:30 for a Special Open Meeting.

16 MR. OLIVERO: Do you have any idea how long?

17 JUDGE ALBERS: The last copy of the agenda I

18 saw only had four items.

19 MR. OLIVERO: Okay. Thank you, Your Honor.

20 JUDGE ALBERS: All right. This matter is

21 continued until tomorrow at nine o'clock. Thank you,

22 everyone.

1 (Whereupon the hearing in this
2 matter was continued until June
3 22, 2012, at 9:00 a.m. in
4 Springfield, Illinois.)
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